Austria	Sch30	Indonesia	Rp3800	Pakistan	Rs35
Bahrain	Din1.000	Israel	Shk5.50	Philippines	Pso45
Belgium	BFr60	Italy	L2800	Poland	Zl 18,000
Cyprus	C£1.00	Jordan	JD1.20	Portugal	Esc180
Czech	Kcs35	Korea	Won 2500	Qatar	QR10.00
Denmark	DKr14	Kuwait	Fils500	S.Arabia	SR9.00
Egypt	E£4.00	Lebanon	L£1,250	Singapore	S$4.10
Finland	FM10	Lux	LFr60	Spain	Pta200
France	FFr8.00	Malta	Lm0.50	Sweden	SKr14
Germany	DM3.30	Morocco	MDh11	Switz	SFr3.00
Greece	Dr250	Neth	Fl 3.50	Thailand	Bht50
Hungary	Ft162	Nigeria	Naira20	Tunisia	Din1.000
Iceland	IKr180	Norway	NKr15.00	Turkey	L6000
India	Rs20	Oman	OR1.20	UAE	Dh8.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

Newspaper of the Year

Monday March 2 1992

Φ D 8523A

EARTH SUMMIT
Life, the universe and everything
Page 12

World News

IRA pledges to disrupt UK election with more violence

The Irish Republican Army said it planned further violence to disrupt this year's British general election, following the admission that it planted three recent bombs in London.

Two exploded on Friday and Saturday injuring a total of 29 people. Yesterday a third bomb spotted near a north London soccer stadium was defused just hours before an estimated 30,000 people were due to watch a cup semi-final. Fresh moves to restart Ulster talks, Page 5

Candidates go to church

The leading US presidential candidates went to church yesterday to scavenge for votes before tomorrow's crucial round of primaries and caucuses. Clinton faces first real test, Page 14

Russia presses Libya

Russian foreign minister Andrei Kozyrev urged Libya to hand over to the United Nations secretary-general two Libyans accused of bombing a Pan Am jet over Lockerbie in Scotland in 1988 with the loss of 270 lives. Page 4

Independence poll

The leaders of Bosnia-Hercegovina claimed victory in an independence poll at the weekend, prompting fears that violence could erupt soon between the three main national groups in the republic. Page 14

Saudi political move

King Fahd, Saudi Arabia's ruler, announced the formation of a 60-member consultative council and a new "basic law" in the first moves towards broadened political participation in the kingdom in 50 years. Page 14

Armenians accused

Azeri refugees accused Armenian militants backed by Russian soldiers of killing hundreds in the disputed enclave of Nagorno-Karabakh. Page 2

Niger shooting

Shooting broke out in Niger's capital as rival groups of soldiers tried to take control of the national radio, residents said. Page 3

Cafè collapse kills 14

At least 14 people were killed and 14 more feared buried under the rubble of an Arab East Jerusalem coffee house which collapsed on Saturday.

Cannabis calls rejected

The German government has rejected calls to legalise cannabis, despite a controversial court ruling that laws banning the use of soft drugs may be unconstitutional.

Earth summit plans

Plans for this year's Earth Summit enter a critical stage today as representatives of over 160 countries gather to complete an agenda for the June meeting in Rio de Janeiro. Page 4

Legion's ranks rise

Impoverished east Europeans and citizens of the former Soviet Union are flocking to join France's elite Foreign Legion in search of a life of adventure. Page 14

Mansell wins

Briton Nigel Mansell won the South African Grand Prix at Kyalami, driving a Williams-Renault. Team-mate Riccardo Patrese of Italy was second.

Rain foils England

England were robbed of their third consecutive World Cup cricket victory when rain washed out play at the Adelaide Oval after Pakistan were dismissed for 74. England were 17-1 when the match was abandoned. West Indies (264-8) beat Zimbabwe (189-7).

FT No. 31,698

Business Summary

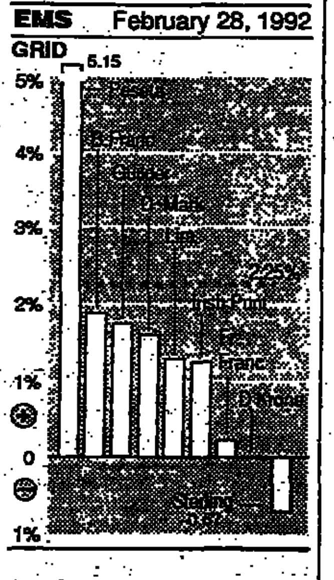
Anger over IBM stance on rebuilt computers

The computer leasing industry is angry over objections by International Business Machines, world's largest computer manufacturer, to non-IBM parts being used in rebuilt mainframe machines.

Companies fear the move will push up the price of used IMB equipment. Page 14

EUROPEAN Monetary System: A cut in the key Spanish intervention rate failed to dislodge the peseta from its position at the top of the EMS grid. Sterling stayed close to the bottom of its 6 per cent band against the peseta, leaving little room for a UK interest rate cut. Currencies, Page 25

EMS February 28, 1992



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the EMS narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. Sterling and the Spanish peseta operate with 6 per cent fluctuation bands.

McDONNELL DOUGLAS, US aircraft maker, is having difficulty selling 49 per cent of its commercial aircraft business to Asian partners. This raises doubts over the development of a 350-400 seat jumbo aircraft, the MD-12. Page 15

GRUPO Financiero Bancomer, holding company comprising Mexico's second largest bank, is to offer \$500m of its stock in the US and European markets. Page 17

FEDERAL RESERVE Bank of New York has said that securities firms which meet its capital standards will be allowed to trade directly with its foreign exchange desk. Page 17

UK INSURANCE: Payments for theft rose by more than 60 per cent for domestic properties and 20 per cent for commercial premises to a total of more than £800m (\$1.4bn) last year. Page 5

PORSCHE chief executive Arno Bohn said the luxury sports car company faced hard times but would make a profit this financial year. Page 17

NOKIA, leading Finnish electronics and telecommunications group, posted a FM324m (\$72m) loss before financial items last year, compared with a FM711m profit in 1990. Page 17

HILLSDOWN HOLDINGS, diversified UK food group, is preparing to sell part of Fairview New Homes, its housing subsidiary, in a flotation that could fetch £100m (\$175m). Page 16

INTERNATIONAL PAPER, US paper group, is to buy 11 per cent of Scitex, Israeli manufacturer of computer imaging equipment, for \$209m. Page 17

Gulf war allies step up campaign against Saddam

By Our Foreign Staff

THE US, Britain and France are intensifying pressure on Iraq to comply with United Nations resolutions requiring the elimination of its weapons of mass destruction, hinting strongly that further military action may be taken if Baghdad fails to comply.

The Gulf war allies are at the same time hoping to raise domestic pressure on Mr Saddam Hussein, the Iraqi president, and if possible topple him, by harnessing opposition discontent with his regime.

Mr Douglas Hurd, the British foreign secretary, underlined mounting frustration with Iraq's prevarication over meeting UN ceasefire terms, saying on British television yesterday: "We do not rule out going back to military action."

His remarks followed those on Saturday from Mr Thomas Pickering, the US delegate to the Security Council, who read a statement in the name of the council's 15 members warning that Iraq "must be aware of the serious consequences of continued material breaches of" UN orders.

The US is insisting that Iraq must send a high-level delegation to New York by a week today to discuss the destruction of missile-related materials and has hinted that military action may follow if Baghdad fails to comply with UN resolutions.

The US has 25 naval ships, including two aircraft carriers, still in the Gulf and more than 200 combat aircraft in the region should a military option be chosen. "We're flying planes up and down the Gulf every day to maintain our readiness," Rear Admiral Raynor A.K. Taylor, commander of US Naval Forces Central Command, said at the weekend.

The US is placing priority on obtaining Iraqi co-operation with UN inspection teams charged with checking the destruction of Baghdad's weapons programmes.

The confrontation with Iraq flared over Iraq's refusal on Friday to follow orders from the latest UN team of ballistics experts to destroy manufacturing equipment for Scud missiles.

The UN team withdrew from Baghdad in protest on Saturday and is in Bahrain preparing a report which it will present this week to the UN special commission charged with overseeing the destruction of Iraq's weapons. Other UN teams, charged with destroying chemical weapons, remain in Iraq and a further team of nuclear inspectors is due to arrive in Baghdad shortly.

Mr Christopher Holland, the Briton leading the ballistics team, said yesterday that his mission had been "very successful" in finding equipment used in manufacturing Iraq's long-range missiles, but that Iraqi officials refused to destroy machines they had identified. "What we are now seeing is a repeat of what we've seen in the past – more delaying tactics," said Mr Holland.

Although Mr Holland declined to give details about the Iraqi missile equipment, he said they were machines "specifically identified with the production of missiles with ranges of more than 150km". Iraqi officials claimed the technology had civilian uses, but Mr Holland said there was no doubt that together they formed a key production line for Iraq's missile programme.

Meanwhile, Britain and France are also pushing for a new Security Council resolution instructing Mr Boutros Boutros Ghali, the UN secretary-general, to send a special envoy to examine the political situation in northern and southern Iraq. They hope such an inquiry will focus grievances against the regime within Iraq and help destabilise the government.

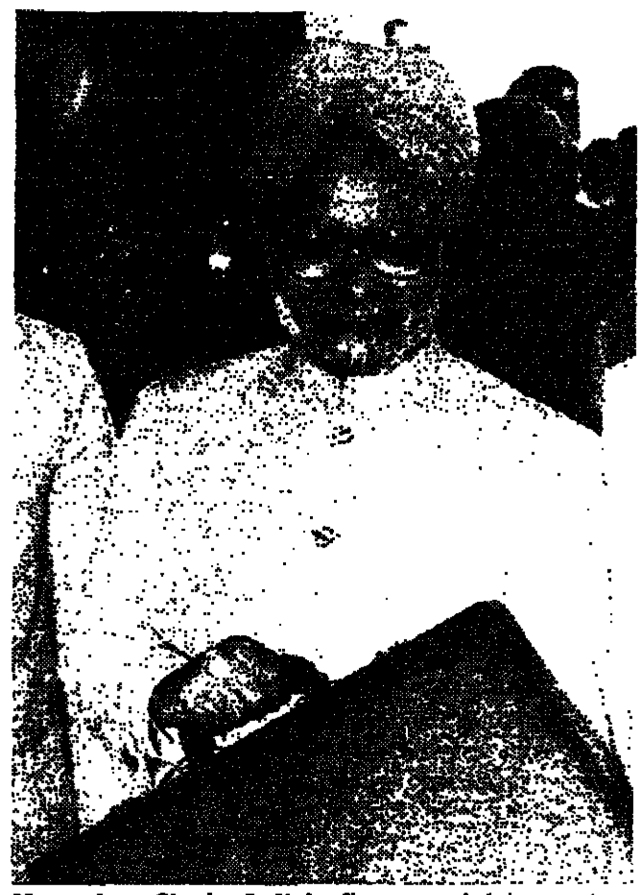
The US administration, while generally sympathetic, has not yet committed itself to this idea, fearing that any side-issue might help Mr Saddam avoid giving a straight answer about his weapons programmes.

However, the US is on record as wanting to see Mr Saddam toppled, and with that end in view is trying to unite the Iraqi opposition. Neither Britain nor

Continued on Page 14

Budget boost for Indian business

By David Housego in New Delhi



Manmohan Singh, India's finance minister, enters parliament in New Delhi to present the federal budget

INDIA'S industry and financial markets yesterday welcomed a budget which makes clear that the country remains on track to implement the most radical changes in economic policy since it became independent in 1949.

The budget marks the first substantial reduction in India's foreign-exchange controls, a milestone in opening up the country's protected economy.

As part of an effort to deter gold smuggling, the government also intends to legalise the import of gold – allowing returning Indians or expatriate Indians to bring as passengers up to 5kg each.

The Bombay Stock Market climbed 173 points on Saturday after the budget to pass the 3,000 mark in late trading. That represents a 60 per cent rise since the beginning of the year.

Mr Tarun Das, director of the Confederation of Engineering Industries, said: "The budget is giving us confidence. I see no minus points."

However, the political opposition attacked the budget for doing little for the bulk of India's 850m people and for bowing to international financial institutions which have been demanding a reduction in the country's budget deficit.

India concluded a letter of intent with the International Monetary Fund last year, agreeing to a gradual but radical overhaul of the state-dominated economy in return for substantial credits. India's foreign debt stands at about \$70bn.

Mr L K Advani, who as head of the Hindu BJP party is leader of the opposition, said the measures lacked any worthwhile strategy to combat inflation.

Among the major changes announced by Dr Manmohan Singh, the finance minister, were:

- The partial convertibility of the rupee.
- Permission for foreign pension funds to make direct portfolio investments in India.
- The abolition of controls on Indian companies raising equity funds in the domestic market.
- A rationalisation of the income tax structure to provide three basic rates of payment – 20, 30 and 40 per cent.

Holders of foreign exchange will be allowed to change 60 per cent of their foreign currency at a market rate. The remaining 40 per cent will have to be changed at the official rate.

The move will mean a depreciation of the rupee of around 9 per cent against the dollar. The foreign exchange market in India will remain closed today

Dr Singh told parliament that the budget deficit had been reduced from 8.4 per cent of gross domestic product

Continued on Page 14

Make or break budget, Page 4; Editorial comment, Page 12

UK chancellor likely to announce tax reforms

By Philip Stephens and Alison Smith in London

MR NORMAN LAMONT, the UK chancellor, is expected to balance immediate tax cuts designed to restore consumer confidence and spending in next week's budget with a "tax manifesto" for the 1990s according to government ministers.

A budget package which maps out a long-term strategy of tax reform and offers a clear choice to the electorate was signalled by Mr Lamont's senior colleagues yesterday as the latest opinion polls underlined the scale of the task facing Mr John Major, the British prime minister, in the coming general election.

Measures to ease the tax burden on savings – particularly those built up by the less well-off – and Mr Major's determination to cut the burden of inheritance tax were singled out as the starting points.

But there was also a suggestion that Mr Lamont could signal the eventual abolition of capital gains tax.

Their comments – a response to the opposition Labour party's charge that the government plans to use higher borrowing to "bribe" the voters with income tax cuts – will fuel speculation that the March 10 budget will signpost a range of new measures to encourage savings, reduce inheritance tax and promote investment.

Ministers admit that they have been stung by the force of Labour's onslaught on budget tax cuts and by the link the opposition has made between lower income tax and higher public borrowing.

There is also concern that some in the Conservative party will be dismayed by a projected public sector borrowing requirement next year of more than £20bn (\$35bn).

Mrs Margaret Thatcher, the former prime minister, is known to be deeply unhappy with the sharp increase in borrowing, but has made it clear that she intends to do nothing in the campaign which could be interpreted as helping the Labour party.

The opposition has been cheered by a survey in yesterday's Sunday Times newspaper which was the third opinion poll in a week to show a slight shift towards Labour and an increase in Liberal Democrat support.

The same poll showed a drop in Mr John Major's popularity – hailed by Labour as a sign that "the Teflon is starting to peel off". Labour has consistently sought to pin the blame for the recession on Mr Major in his roles both as prime minister and in his previous post as chancellor.

The "satisfaction index" – the difference between those satisfied and dissatisfied with a politician's performance – for the prime minister is now plus four per cent, compared with plus 13 per cent in January, but still significantly ahead of Mr Neil Kinnock, the Labour leader, whose standing is minus 18 per cent. Overall, the survey showed Labour on 40 per cent, the Conservatives on 39 per cent and the Liberal Democrats on 18 per cent.

In a letter to constituency officers, Mr Chris Patton, the Conservative party chairman, warned party workers that "we have a fight on our hands", but expressed confidence of victory "if we defend our record, set out our vision and explain how Labour would destroy the economic prosperity on which we all depend".

Editorial Comment, Page 12; Striving for Sanctuary, Page 30

Wellcome share offering could raise over £4.5bn

By Maggie Urry in London

AN INTERNATIONAL offering of shares in Wellcome, the drug company best known for its Aids treatment Retrovir, that could raise more than £4.5bn (\$7.9bn) at current prices is expected this summer.

This follows a decision by Wellcome Trust, the medical research charity, to sell part of its 73.6 per cent stake in the company.

Mr John Robb, chief executive of Wellcome, said last night that the sale would help investors who had experienced difficulty buying shares because of the limited number that were freely available.

This view was echoed by Mr Paul Krikler, pharmaceutical analyst at Goldman Sachs, who said: "This sale may well go some way to satisfying unfulfilled investor demand".

The trust may cut its stake to only 25 per cent, in which case the sale would raise more than £4.5bn. However, the offer is subject to market conditions and to the trust gaining permission from the High Court in London and the UK Charity Commissioners to reduce its holding below 50.1 per cent.

The trust aims to retain at least 25 per cent of the company as a long-term holding.

Wellcome yesterday confirmed market forecasts that its interim figures, to be announced on March 26, will show a 30 per cent rise in pretax profits from £181.2m to not less than £235m, on sales up from £731.5m to about £880m, a 20 per cent improvement. In its last financial year, to the end of August, the group made pretax profits of £402.9m.

Mr Robb said he believed the offer would enable Wellcome to build a shareholder register that more closely matched the international spread of its business. In its last financial year 44 per cent of sales and a higher proportion of profits were generated in North America, but less than 5 per cent of the shares are held there.

The trust has decided that its stake in Wellcome, worth £7.1bn and providing 95 per cent of its income, is too great a concentration of its assets. Wellcome's shares yield only 1.2 per cent and the trust aims to reinvest the proceeds of the sale to earn a higher return, so making more funds available for research. The trust is budgeting to spend £100m on research this year.

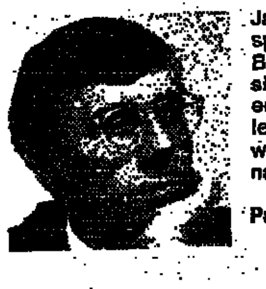
The trust had owned all of Wellcome's shares until the company was floated on the stock market in February 1986. At that time the whole company was valued at just over £1bn. On Friday's closing share price of 1,126p the capitalisation is £9.7bn.

The shares have been boosted since flotation by Wellcome's development of Retrovir, the only widely prescribed treatment for Aids.

Robert Fleming, the London merchant bank which arranged the original flotation, will act as global co-ordinator for the offer.

CONTENTS

THE MONDAY PROFILE



Jack Straw, education spokesman for Britain's Labour opposition, believes government policies have left the country with a workforce which is too narrowly trained

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FORTHCOMING FT SURVEYS

PORTUGUESE FINANCE: Lisbon's Bolsa is trying to improve the flow of information to potential investors. *Wednesday's survey: see details, right*

■ TODAY:

North Oxfordshire: Taking care to attract the developments it wants.

■ WEDNESDAY MARCH 4:

European Finance and Investment: Portugal: Highly vulnerable to changes in the international environment.

■ FRIDAY MARCH 13:

European Property: Changes and opportunities in the main markets.

■ MONDAY MARCH 16:

Nigeria: President Babangida's legacy and the challenges ahead.

■ TUESDAY MARCH 17:

European Information Technology: Defining a new role in an international marketplace.

INTERNATIONAL NEWS

Yeltsin gives go-ahead for air force sale

By Leyla Boulton in Moscow

MR Boris Yeltsin, the Russian president, has authorised the air force to sell 1,600 outdated military aircraft free of export tax.

The proceeds of the deals – which are to be negotiated by the air force, but vetted by the Foreign Economic Relations Ministry – are to finance housing and salary increases for servicemen.

Mr Yeltsin's decree also suggests, somewhat ambitiously, that $9bn of the total profits would be reinvested in unspecified aircraft manufacturing programmes.

Land forces have already been authorised to sell off surplus tanks and weapons.

On Friday, Mr Mikhail Malei, a presidential adviser suggested that only hard-currency arms sales could finance the conversion of the country's huge defence industry to civilian output.

The government is already actively seeking to expand arms sales to bring in badly needed hard currency. In an attempt to prevent arms falling into the wrong hands, it is setting up an inter-ministerial committee – representing economic ministries as well as the military – to supervise exports.

But there is probably little that officials in Moscow can do to prevent the former Soviet Union from turning into a giant arms bazaar.

Other republics are determined to nationalise Red Army hardware on their territory not because they want to use it, but so that they might sell it. In the second largest republic, Kazakhstan, a commodity exchange called Pax-Alisa has announced plans to begin auctioning off SU-24 MK fighter-bombers and systems for co-ordinating land and air operations.

As a result of falling discipline and living standards, thefts of military hardware within the Red Army itself grew three-fold last year, according to the chief military prosecutor.

● Georgia plans to demand a share of the Black Sea Fleet for its own coastal defence. Mr Avtandil Tskitishvili, Georgia's first deputy defence minister, said the republic expected to take over some of the vessels anchored at the ports of Poti and Ochamchire. But, unlike Ukraine, which has been arguing with Russia over the Black Sea Fleet, Georgia has no plans to demand an oath of allegiance from servicemen, even though its ultimate aim is to have its own armed forces.

AZERIS CLAIM ARMENIANS BACKED BY RUSSIAN TROOPS 'KILLING HUNDREDS'

AZERI refugees, many of whom walked for days across snow-covered mountains, yesterday accused Armenian militants backed by Russian soldiers of killing hundreds in the disputed enclave of Nagorno-Karabakh, Reuter reports from Agdam, Azerbaijan.

Relatives of the dead, led by women beating their breasts and scratching their faces in grief (pictured above at the funerals yesterday), burst into a government guest house in Agdam to demand that steps be taken to evacuate corpses from Khojali, another Azeri stronghold just inside Karabakh.

The mob, about 50 strong, joined several hundred more refugees milling through the streets, where red, green and blue Azeri national flags were draped with black ribbons.

"Help us. You must do something," screamed one woman who said her husband and two sons were killed when Armenians seized Khojali last week.

The Azeri government, which has declared a three-day mourning period, said more than 1,000 people were killed in the attack on Khojali, a town of about 10,000 people.

Armenia put the casualty figure much lower, and said the Armenian population of Karabakh has been forced to defend itself from Azeri attacks.

"This is a gross exaggeration. The figure could be nowhere near 1,000," said a security official in the Armenian capital Yerevan.

Azeri television showed truckloads of corpses being evacuated from the Khojali area.

The report said many of the victims had suffered serious injury.

In the past four years of undeclared war over the Transcaucasian territory, more than 1,000 people have been killed.

Nagorno-Karabakh is populated by Armenians but has been administered by Azerbaijan since 1923.

Military commanders in Moscow have repeatedly denied that their men are involved in the Azeri-Armenian conflict and on Friday ordered them out of the enclave.

Ukraine takes step towards own currency

By Chrystia Freeland in Kiev

THE Russian rouble yesterday ceased to be accepted by the Ukrainian state sector for cash transactions.

Salaries are to be paid primarily in Ukrainian coupons – which have effectively become a separate currency – and all purchases from state sectors must be made through coupons or rouble savings in bank accounts.

Ukrainian media announced over the weekend that as of March 1, 75 per cent of wages will be paid in coupons and the remainder will be deposited in workers' rouble bank accounts. All purchases in the state shops of less than Rbs4,000 are to be made in coupons. Larger transactions cannot be made in cash, but must be paid through bank transfers.

Moreover, the wholesale sector, which previously operated in roubles, is to switch to coupons.

The measures are a reaction to Ukraine's critical shortage of roubles and are in preparation for the introduction of a fully separate Ukrainian currency, the hryvnia, scheduled for this summer

In January, western experts criticised the parallel use of coupons and roubles, and recommended that coupons be made the principal currency.

On the Ukrainian political front, Rukh, the mass-nationalist movement which played a key role in Ukraine's drive for independence, narrowly avoided a schism.

Most delegates supported former dissident Mr Vyacheslav Chornovil and his view that Rukh should become a political party opposing ex-Communist president Leonid Kravchuk.

To avert a split, Mr Chornovil's faction compromised with supporters of incumbent Rukh president, Mr Ivan Drach who favours close co-operation with President Kravchuk.

The slow pace of economic reform in Ukraine was one of the *casus belli* of Rukh's congress held over the weekend.

The movement's leadership advocated wholehearted support for President Kravchuk and enthusiastically applauded him when he addressed the delegates.

But fearing that blind loyalty to Mr Kravchuk could create a "Ukrainian Albania", most delegates sided with Mr Chornovil who argued that Rukh should push for economic reform more radical than that proposed by the Kravchuk administration.

To prevent a rift, a triumvirate of Mr Chornovil, Mr Drach and his ally, Mr Mikhailo Horyn, was elected to lead Rukh.

It will not become an opposition party but it did adopt a resolution vowing "to oppose the president whenever he departs from Rukh policy."

The party also voted in favour of Ukraine leaving the Commonwealth of Independent States.

EC call to back CIS reforms

A Senior European Community official has warned that the world is running short of time to rescue reform in the former Soviet Union, Reuter reports from Brussels.

Mr Frans Andriessen, EC commissioner for external relations said: "I am afraid we do not have much time left. We should learn something from what happened to (ousted President Mikhail) Gorbachev."

Speaking on his return from a tour of four former Soviet republics, Mr Andriessen said he might urge the relaxation of conditions which have held up a Ecu 1.25bn ($1.6bn) EC loan to supply food and medicine, making it "to some extent a gift".

Mr Andriessen will brief EC foreign ministers in Brussels today about his tour of the Commonwealth of Independent States, during which he heard several warnings of the risk that economic chaos, especially in Russia, might lead to dictatorship.

Mr Andriessen dropped Russia from his week-long tour to Belarus, Ukraine, Uzbekistan and Kazakhstan because President Boris Yeltsin was not available to meet him.

He said an international conference on the CIS in Lisbon in May must launch a more comprehensive policy than what he called "piecemeal" efforts so far if the world wanted to avoid having to arrange new emergency relief next winter.

New aid might be needed to shore up the reformers' positions even before May, but it was unlikely to be forthcoming until publication of an International Monetary Fund report on the CIS economy.

He said CIS member states would send a "positive signal" if they co-ordinated monetary policy, set up a rouble zone and avoided trade barriers.

Le Pen rally cancelled

MR Jean-Marie Le Pen, leader of France's extreme right-wing National Front (FN), has been ordered to call off a weekend rally in Corsica because police said they could not guarantee his safety, writes William Dawkins from Paris.

Mr Le Pen criticised the decision, by the state's senior representative in the region, as "democratic harassment" and accused the government of being in "connivance" with Corsican separatists. Seven policemen were wounded in scuffles in Ajaccio, as Corsican separatists clashed with 150 FN supporters.

Single market still long way from reality, study finds

By John Thornhill

THE creation of the single market is still a long way from being realised according to a new study* of the European distribution and logistics industry which reveals big differences in comparative costs and practices.

The distribution sector has traditionally been viewed as being at the leading edge of an integrated European market, but the report found there were still considerable barriers to a free flow of goods across borders.

The study of six European markets found that transport infrastructure still largely reflected the priorities of national governments, leading to considerable disruption at borders.

Railways, for example, still have a plethora of different voltages, signalling systems, operating rules, and loading gauges. The study found that delays at frontiers averaged two hours and were up to eight hours at the Spanish border.

Different taxation policies also affected the relative costs of distribution. Fuel costs may represent 10 per cent to 20 per cent of the costs of operating a vehicle but the study found that diesel prices at the pump varied between Ecu252 (£179) in France and Ecu365 (£259) in Italy. Vehicle excise duties also showed great differences. The EC has been trying to harmonise taxation policy, but is making slow progress.

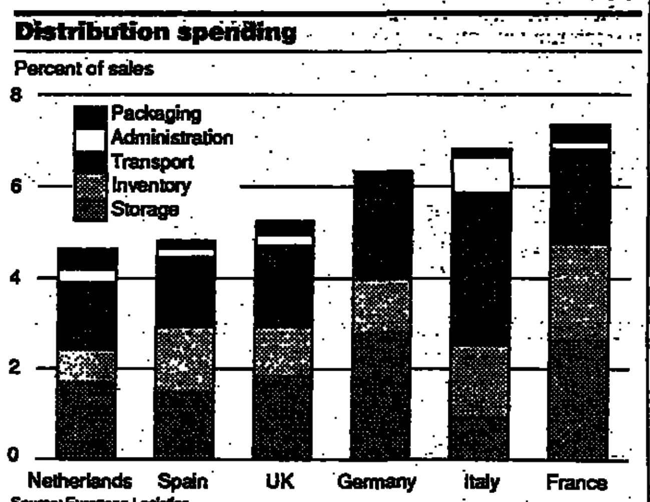
When total logistics costs were measured as a percentage of sales there was a marked difference between the Netherlands, at 4.62 per cent, and France, at 7.22 per cent.

Mr Tony West, of Touche Ross, the management consultancy which helped prepare the report, said UK companies had not established a clear cost advantage in the logistics field.

The study covered 836 companies in German, Spain, France, Italy, UK and the Netherlands.

* *European Logistics: Comparative Costs and Practice. Institute of Logistics & Distribution Management, Douglas House, Queens Square, Corby, Northants, UK. £95*

Distribution spending



Source: European Logistics

UK stays away from E Europe

By Judy Dempsey

THE EUROPEAN MARKET

BRITISH companies must change their attitudes towards doing business in eastern Europe and the former Soviet Union or face a continuing decline in market share in the region, according to Mr Norman Wooding, chairman of the London-based East European Trade Council (EETC).

"Despite the revolutions of 1989, the British are not doing business with eastern Europe or the CIS," said Mr Wooding, a former director of Courtaulds, which ventured into the Soviet market in the 1950s. "The opportunities are enormous, but we are not taking advantage of them," he added.

Certainly, the political instability in the CIS acts as a deterrent for UK companies. Mr Janek Geller, managing director of Golodetz (Overseas), a family firm which first started trading with Russia in 1921, says confidence has been further dented by the failure of Russian enterprises to meet their payments.

"Payments can no longer be guaranteed," he said. Officials at the EETC estimate that outstanding payments due by former Soviet firms to British companies total £2bn.

The break-up of the Soviet Union has also disrupted links between traditional trading partners. The foreign trade organisations, which acted on behalf of Soviet enterprises have disappeared.

Shipping goods in and out of the CIS is another problem. "You can no longer be sure if you can move goods across from one republic into another. The republics are putting up their own trade barriers, and have different currencies," Mr Geller explained.

Mr Wooding from the EETC says the CIS is likely to attract the big companies, particularly the oil conglomerates. "Its a vast market. Only 3 per cent of the identified oil reserves have been extracted; only 9 per cent of gas reserves. What are UK oil companies waiting for?"

Officials at Britain's Department of Trade and Industry (DTI), point out that many British companies are waiting for the CIS to draw up legislation on foreign investment, property rights and repatriation of profits. In addition, UK companies are waiting for cover from the Export Credits Guarantee Department (ECGD), an arm of the DTI.

Earlier this month, the ECGD made £280m available for medium-term export credit cover, and investment insurance for Russia and other republics. But the release of credit is conditional upon all the CIS republics adopting IMF-backed reforms. They must also be up-to-date in their existing debt obligations. In eastern Europe, the ECGD provides cover for only Hungary and Czechoslovakia.

UK companies interested in trading with the CIS and eastern Europe are impatient with the ECGD'S cautious approach. "ECGD cover is hedged with restrictions, and their premiums are too high," an official from the EETC said. "Their premium is 50 per cent higher than other countries in Europe. UK companies are forced to add the ECGD premium on to their prices. How can we be competitive?"

Mr Michael Cooper, who now runs a consultancy company, was instrumental in getting Lee Cooper jeans into eastern Europe in the 1970s. He believes that the ECGD's premiums, coupled with the credit squeeze by British banks, are inhibiting UK companies from venturing into eastern Europe. "The really determined ones", he says, "simply by-pass British financial institutions and go to Vienna or Frankfurt to seek financing".

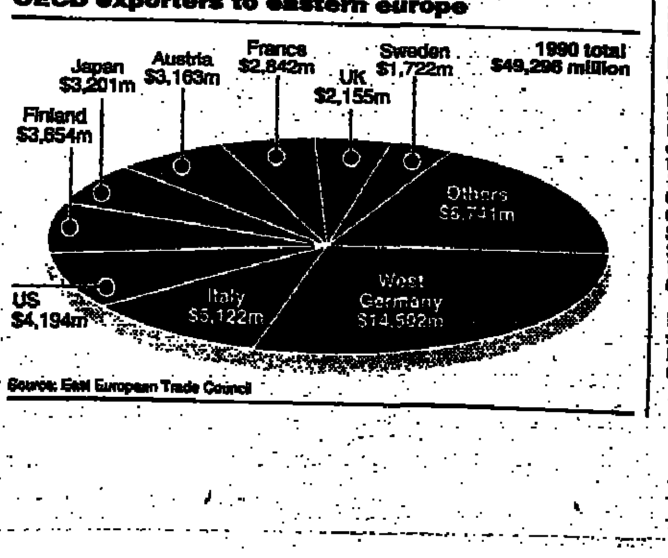
Mr John Busby of APV Baker, a British food processing company which has been trading with the Soviet Union since the 1970s, says German and Austrian banks understand industry's needs better than their UK counterparts.

"The Germans, whose trade links with the region go back centuries, take a long view on investments," explained Mr Busby. "Many UK companies, in the case of eastern Europe, expect profits in the short term. That is a mistake. They still do not realise that eastern Europe and the CIS is a long haul, a long commitment, and requires lots of hard work and expertise."

Mr Wooding believes that innate conservatism, and a persistent ignorance about eastern Europe and the CIS, have also contributed to the reluctance to tackle this vast market.

"UK companies hated communism more than their counterparts on the Continent," a DTI official explains. The DTI and the EETC believe attitudes are changing, but slowly.

OECD exporters to eastern europe



Source: East European Trade Council

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Two Democrats in the race for presidential nomination have their best chance to shine in primaries tomorrow in Georgia and Maryland

Clinton faces his first real test

By George Graham in Washington

AFTER holding his own in the early primaries and caucuses of New England and the mid-western prairies, Governor Bill Clinton of Arkansas faces the first real test of his campaign in Georgia tomorrow.

While he is widely regarded as the Democrats' frontrunner for the presidential nomination, Mr Clinton is the only one of the four major candidates who has not yet won a state.

Expectations have been raised so high that he must now not only win in Georgia, but win convincingly if he is to shake off worries over how much his campaign has been damaged by questions about his marriage and his position during the Vietnam war.

The ruddy and smiling governor begins with the advantage of long-standing ties to Georgia's top Democratic politicians, many of whom joined him on the Democratic Leadership Council, a moderate policy group which Mr Clinton chaired until last year.

He has been endorsed by Senator Sam Nunn, Georgia's senior senator, as well as by Governor Zell Miller, Lieutenant Governor Pierre Howard and most of the state legislature.

Mr Doug Teper, a Democratic state representative, warns that Mr Paul Tsongas, who won the New Hampshire primary ten days ago, and the other candidates are still unknown in Georgia.

"The truth is, this is Clinton territory," he said.

Mr Teper also notes that Mr Clinton's support among black politicians should ensure him the overwhelming majority of black votes, which could make up 27 to 30 per cent of the March 3 primary turnout.

After ballots in four states where blacks make up barely 1 per cent of the population, Georgia and Maryland will be the first states with significant black populations to vote in this year's presidential nominating process.

Mr Andrew Young, former US ambassador to the United Nations and mayor of Atlanta, agrees that Governor Clinton should win the support of most black voters.

But Mr Ed Brown, executive director of the Voter Education Project, an Atlanta-based foundation, warns that none of the candidates has made the concerted effort to register black voters that marked the campaigns of the Rev Jesse Jackson in 1984 and 1988.

"Much of the black leadership has made its choice, but oftentimes there's a gulf between what the leadership says and what the masses do ... it's not a matter of whether he garners the black vote, it's a question of how much," he warns.

Senator Bob Kerrey of Nebraska, fresh from his victory in this week's South Dakota primary, has now launched his Georgia campaign with a less than heroic assault on Governor Clinton's Vietnam draft history – an issue he said two weeks ago should not be relevant in the campaign.

Some political commentators have suggested that these questions may resonate more in the socially conservative and militaristic south than they have done in the north, but voters encountered at random in Georgia showed little interest either in what Mr Clinton did during the Vietnam war, or in his marriage.

"People like my parents couldn't imagine someone not trying to get out of the war," said Miss Megan Lee, a student in the university town of Athens.

"They can drop all that on him, that man ain't dead yet," said Mr Ben Rutland, an unemployed maintenance man in Forsyth, a rural town south-east of Atlanta.

Outside Atlanta, few Georgians have any awareness of the election campaign or any knowledge of the candidates. In this vacuum, the tabloid stories that have dogged Governor Clinton's campaign may be the only message that sticks in voters' minds.

"They pop up, these people that never existed before, and all you've got on them is the dirt the other side pulls up," said Mr Clay Owens.

Bill Clinton: has not yet won a state

Apathy puts Tsongas ahead

By Nancy Dunne

MARYLAND promoters portray their state as a microcosm of the US. Neither northern nor southern, it has a population of 4.7m spread over mountains, swamp, seashore, cities, and suburbs.

It has farmers, fishermen, blue collar and high technology workers, a large number of government employees and professionals, minorities and ethnics – the common thread being that most will not vote in next Tuesday's presidential primary.

In fact, most do not know there is a primary.

Paul Tsongas: Promises to curb give-aways

The beneficiary of the voters' apathy and ignorance is likely to be former Senator Paul Tsongas, a self-styled pro-business liberal and the Democrats' winner of the New Hampshire primary. Ahead in the polls, he sees the state as his best opportunity to demonstrate appeal outside his native New England. Marylanders, who have paid attention enough to know him, perceive him as a straight-talker – even if the message he carries is one of gloom. ("The Cold War is over; Japan and Germany won.")

Mr Tsongas promises to rebuild the country's manufacturing base and curb government give-aways. He has also attracted hundreds of committed campaign workers, like Mr Jeffrey Cohen, a realtor, driven into campaigning for the first time in his life by the "lousy" business conditions.

"I like his whole perspective," says Mr Cohen. "The country has to make basic, structural changes, and he understands that. Tsongas is credible. He worked in the private sector six years. He served in the Peace Corps. That represents a certain type of mentality you have for life."

In large states, where campaigns must be conducted mostly by television, charisma may sway the voters. Not in Maryland, where forthright pragmatism comes over well at a time when politicians are greatly distrusted.

Mr Keith Haller, a Maryland pollster, believes only about 15 per cent of the 2.1m registered voters will cast ballots. The economic pain and anger which brought out more than half the eligible voters in the New Hampshire primary is muted in Maryland, the fifth richest state per capita, where unemployment is below the national average.

The national job trends have created an amorphous insecurity and pockets of real hardship, but that has only translated into political awareness among affluent and older voters and party activists. The former are expected to go for Mr Tsongas. The latter will be mobilised by party organisations, political clubs, labour unions, and churches and many of them will go for Governor Bill Clinton, who is particularly strong among black voters, who make up 25 per cent of the state.

The "character issue" which so absorbs the political pundits in their endless debates over Governor Clinton's rumoured womanising and alleged draft dodging means little in a community devastated during the 1980s by low-skilled job losses, crime and drugs.

Mr Clinton has won the support of the black churches and at a recent rally he was endorsed by the popular Baltimore Mayor Kurk Schmoke. "We want a man who gives us hope. The nation cries out for leadership that is concerned and caring," intoned the Rev Marion Bascom, one of the city's most influential ministers at a recent Clinton rally.

Mr Clinton responded with appropriate fervour, calling for a "new covenant" between disheartened Americans and their government.

He has been urged to devote more resources to Maryland to challenge Mr Tsongas, who would then have difficulty winning elsewhere. But Mr Clinton – and the voters – have been distracted by an increasingly nasty turn in the campaign which has forced him to focus his energy on his base of support for the March 10 "Super Tuesday", when most of the southern states will hold primaries.

There he must respond to charges by Nebraska Senator Bob Kerrey that the "character issues" have made him unelectable against President Bush. There he must win big before the campaign surges north a week later into Michigan and Illinois.

Niger soldiers ousted from radio station

MUTINOUS soldiers briefly seized control of the state broadcasting centre yesterday for the third time in three days, but were ousted by other soldiers who said they had put down a coup attempt, AP reports from Niamey, Niger.

Soldiers drove around the city, firing into the air and frightening people off the streets, but there were no reports of injuries.

Earlier, thousands of pro-democracy protesters yelling anti-French slogans demonstrated against the soldiers' revolt, which they said Paris supported, and the main trade union called a general strike.

Some 10,000 people gathered in the capital of the former French colony in West Africa, denouncing the soldiers and demanding they not interfere with an interim government's plans to instal democracy and end 16 years of military dictatorship.

The situation was confused yesterday and it was not clear who took over the radio station.

Unpaid troops first revolted on Friday, seizing the broadcasting centre twice and kidnapping two high-ranking government officials. However they returned to their barracks and freed the hostages after the government promised to pay up.

Niger's 3,200 soldiers are among 40,000 government workers who have not been paid for two months. When the interim government took over last year it inherited a bankrupt economy.

Yesterday, a group of soldiers took over the station and broadcast demands that the government pardon a captain accused of massacring Tuareg nomads. They said they would not allow Capt Maliki Boureima to be used as a scapegoat to sort out national problems.

Capt Boureima was jailed by the interim government, which said he was responsible for May 1990 army raid in which 63 Tuareg nomads were executed.

Two hours later, another group of soldiers were broadcasting on the station, urging "all military to immediately return to their barracks". This group claimed to have "put down real coup plotters".

Pérez faces pressure to resign

By Joseph Mann in Caracas

POLITICAL pressure is mounting in Venezuela for President Carlos Andres Pérez to resign, and for his three-year-old government to take other radical measures aimed at reforming the country's democratic system.

Former President Rafael Caldera, founder of the principal opposition political party, the Christian Democrats called on Mr Pérez to step down in order to help resolve Venezuela's "crisis".

At the same time, the country's second largest opposition group, the socialist party MAS, also said the president should resign.

Mr Pérez, whose government is not scheduled to leave office until February 1993, said in a nationwide radio and TV broadcast at the weekend that he had no intention of leaving his post.

The calls for Mr Pérez to resign came just over three weeks after loyal units of the Venezuelan armed forces quashed an attempted coup by heavily-armed army units.

They also come on the heels of other demands for the resignation of the the Supreme Court and for a referendum leading to a new constitution.

Politicians reach deal on Quebec

By Bernard Simon in Toronto

CANADA'S three main political parties have agreed on constitutional proposals aimed at forestalling a break away by French-speaking Quebec.

The package drawn up by a 30-member parliamentary committee after five months of cross-country hearings provides for the transfer of various powers from the federal government to Quebec and to other provinces which want them. Quebec would also gain a veto over future changes in the constitution.

To mollify other provinces, the committee has proposed turning the upper chamber of parliament, the Senate, from an appointed to an elected body with limited veto powers and wider representation from western and Atlantic Canada.

New measures are suggested to accelerate the lowering of pervasive non-tariff trade barriers between the provinces.

The committee's report will form the basis of complex negotiations in coming months between the federal government, Quebec and the other nine provinces.

Mr Brian Mulroney, prime minister, aims to finalise the "offer" to Quebec within the next six months.

Former CenTrust chief indicted on fraud counts

A FEDERAL grand jury has indicted Mr David Paul, the former CenTrust Savings Bank chairman, on fraud charges arising from a $25m securities deal involving an investor linked to the former Bank of Credit and Commerce International, AP reports from Miami.

Mr James McAdams, acting US attorney for southern Florida, announced the federal grand jury indictment against Mr Paul, who was jailed earlier this week on contempt of court charges. The indictment also listed counts of conspiracy and other crimes.

Mr Paul has been charged with conspiracy to defraud the US, making false statements, misapplying $25m in funds and allowing false entries to be made in CenTrust records.

Also charged in the 22-count indictment were Mr Ghaith Pharaon, former CenTrust shareholder, and Mr William Christopher Berry, a former senior executive vice president in charge of the failed thrift's investment department, Mr McAdams said.

Federal authorities have said Mr Pharaon acted as a secret front man for BCCI.

Hand over bomb suspects, Russia urges Libyans

By Tony Walker in Cairo

RUSSIAN Foreign Minister Andrei Kozyrev yesterday urged Libya to hand over to the United Nations secretary-general two Libyans accused of bombing a Pan Am jet over Lockerbie in Scotland in 1988 with the loss of 270 lives.

Mr Kozyrev made his comments to his Libyan counterpart, Mr Ibrahim Mohammed Beshari, in Cairo at a private meeting in the Russian embassy.

"I suggested to my Libyan friend that Libya should go along with the Security Council resolutions because this is the best way out in solving this problem," Mr Kozyrev told reporters after a meeting with Egypt's President Hosni Mubarak.

Mr Mubarak returned to Cairo at the weekend after visiting France and Morocco. He has been attempting to defuse a potential international crisis over Libya's refusal to yield the two Libyans for trial in either the US or Britain.

France is also seeking four Libyans, including Libyan leader Muammer Gadaffi's brother-in-law, for questioning over the 1989 bombing of a UTA jet over Niger, in which 171 passengers and crew died.

Pointedly, the French judge responsible for investigating terrorism cases issued international arrest warrants for the four Libyans while Mr Mubarak was in Paris urging the west to show restraint.

The US, Britain and France are working on a Security Council resolution that would impose limited sanctions against Libya should it continue to refuse to hand over the Libyan suspects.

Initial sanctions would include a freeze on civil aviation links and a suspension of diplomatic relations.

Sweden, meanwhile, has rejected a Libyan request for it to host the trial of the two Libyans suspected of blowing up the Pan Am jet. A spokesman for Sweden's foreign ministry said the government had decided to turn down the request, forwarded last Monday.

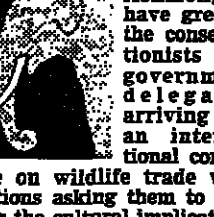
The official said the trial should be held where the crime took place. He also urged Libya to abide by Security Council Resolution 731 of January 21 which condemned the bombings and urged Libya to comply with requests to hand over the suspects.

● The Libyan judge investigating the Lockerbie airliner bombing submitted his resignation yesterday, saying he was being pressed from all sides to violate the law, Reuter adds from Nicosia.

The judge gave nine reasons why he could not conduct his investigation properly, including "insults to the Libyan judiciary...political pressures from inside and outside...and attempts to force me to violate the laws," according to the Libyan news agency JANA.

Japan's wildlife stand to be tested

By Robert Thomson in Tokyo



JAPANESE fishmongers have greeted the conservationists and government delegates arriving for an international conference on wildlife trade with petitions asking them to consider the cultural implications of imposing trade curbs on bluefin tuna served in Tokyo's more expensive sushi restaurants.

Keen for recognition as a leader in environmental issues, Japan is hosting the triennial conference of the Convention on International Trade in Endangered Species (Cites) beginning today in Kyoto. But it is likely to have its conservationist credibility tested at the 12-day gathering.

Several controversial proposals to be discussed at the conference, which, as well as limits on bluefin tuna fishing, include a relaxation of the ivory trade ban and the listing of tropical timbers for protection, have drawn strong reaction from affected Japanese business groups, some with links to the ruling Liberal Democratic Party.

The conference must deal with a range of awkward issues, among them whether developed countries have the right to recommend limits on the potentially profitable trade of developing countries, and whether countries agreeing on trade limits should receive compensation.

Tokyo did not join the Cites group when formed in 1975, but the foreign ministry has since identified wildlife trade as an issue where Japan can play a politically important role. Other issues targeted by a government intent on lifting its profile include the arms trade and global warming. Japanese delegates will announce tougher rules for trade in wild animals, requiring the country of origin to verify an export permit before a protected animal is shipped. Document falsification will be among the issues covered in a report to be presented at the conference.

Mr Seizo Handa, chief executive director of World Wide Fund for Nature (WWF) Japan, said it was "appropriate" the conference was to be held in Kyoto because Japan, after the US, is the second biggest trader in endangered species. He applauded the government for having taken "some measures" to lessen that trade. Japan has not decided how it will vote on the ivory issue this time round, when five southern African governments will propose resumption of a limited trade. A compromise, trade in elephant meat and skins, will also be debated.

Plans for Earth Summit enter critical stage

By Michael Littlejohns at the UN in New York and Alison Smith in London

PLANS for this year's Earth Summit enter a critical stage today as representatives of over 160 countries gather to complete an agenda for the June meeting in Rio de Janeiro.

The meeting, expected to last five weeks, will try to secure world agreement on a global regime to protect the environment without applying too hard a brake to economic growth. This will include a wide array of measures, including an action plan dubbed Agenda 21 (for the new century) and an Earth Charter listing rights and obligations of governments and individuals. The Rio conference, organised by the UN, has been billed as an Earth Summit because heads of government are invited to lead their delegations. Mr John Major, UK prime minister, was among the first to accept.

Emphasising UK support, Mr Michael Heseltine, environment secretary, has come to New York and will address the meeting today. He will make clear that the UK has not ruled out the use of fiscal measures, such as a carbon tax, as part of its strategy to clean up the environment. But he will point out the need for international agreements to make green measures effective.

The EC has tentatively agreed on a carbon tax which it intended to propose at Rio. But there have recently been indications that it is backing off the idea because of lack of support outside the EC. Mr George Bush, who campaigned in the 1988 election vowing to be "the environment president" has not said if he will go to Rio. His administration wants more data before considering environmental measures that could drastically raise costs for industry during a grinding recession.

Last week, the US pledged $75m (£42.8m) to the international effort to reduce "greenhouse gases" that have resulted in ominous climate change. But the US, by far the greatest source of emissions, has yet to consider broader incentives to curb the gases. The US has been blamed for lack of progress on a convention on climate change supposed to be signed in Rio.

Mr Maurice Strong, a Canadian millionaire businessman and conference secretary-general, believes mankind's survival rests on saving the ecosystem. With the threat of global war no longer plausible, "the primary issues we face today are all environment-related". A paper for the New York session states that underlying Agenda 21 is the notion that humanity has reached a choice between continuing present policies or changing course to bring about "more productive and better protected ecosystems and a safer, more prosperous future".

India is dealt a make-or-break budget

But it is uncertain if the programme can be carried through, David Housego reports

AS OPPOSITION in India continues to grow against IMF-style policies, it seems increasingly uncertain whether the Congress party government of Prime Minister P.V. Narasimha Rao will have the stomach to carry through the programme on which it embarked last year – to open up the economy and strengthen market mechanisms.

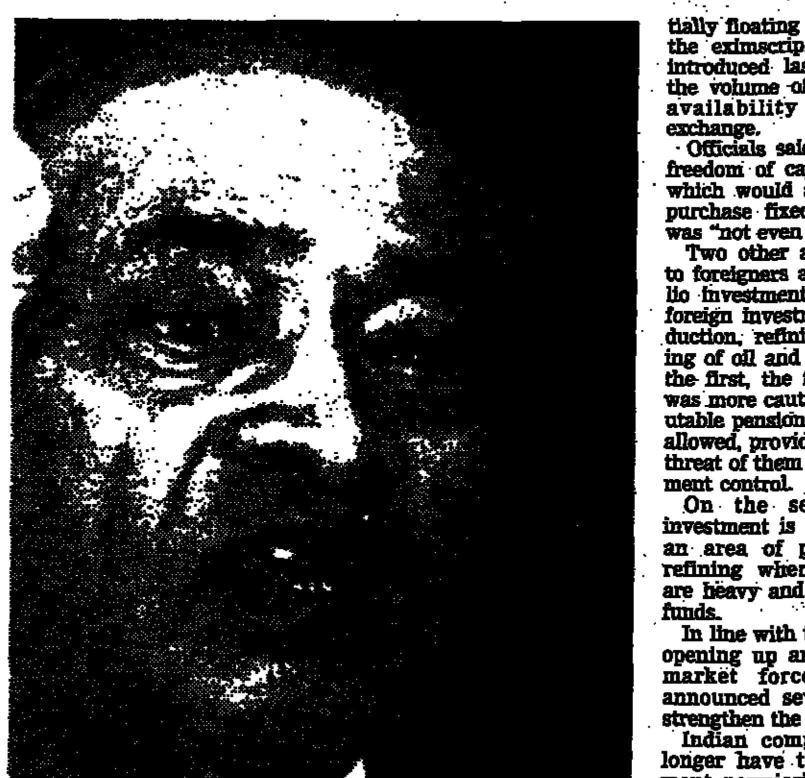
But the budget presented by Dr Manmohan Singh, finance minister, along with the letters to the World Bank he was forced to disclose to parliament last week, make clear that India remains on track to implement the most radical changes in economic policy since it became independent in 1949.

The measures announced in the budget went wider and deeper than most people had expected. Their boldness will also provide a boost to Dr Singh, who last week emerged battered from the drubbing he received in parliament.

He was on his feet in parliament on Saturday wittily chiding opponents who hoped to force his resignation. He told them he had proposed tax concessions for the self-employed, because if the Opposition had their way, he would soon find himself in that category. Notwithstanding this bravado, he has by no means repulsed all attacks from inside the Congress Party and from the left and Hindu militant BJP party outside.

The budget shows that, in its tactical handling of structural reform, the government has chosen to move at different speeds on different fronts. It surprised even the banking community by opting for a partial floating of the rupee, a move popular in India as partly dismantling much disliked foreign exchange controls, and well received abroad.

The government is cautious about reducing India's customs tariffs (among the highest protective tariffs in the world) because it is worried by the loss of budget revenue and faces strong opposition from industry. The budget was most hesitant about tackling problems of overmanning in the public sector, of allowing private companies to retrench their labour forces or close, and of privatisation. It is here that the government fears the biggest backlash could occur from the left and the unions.



Rao: Can his government make the budget work?

Over the handling of macro-economic policy, it is clear that the government has taken a risk. Dr Singh hopes to bring down inflation from its current 12 per cent to 6 per cent by the end of 1992-93. But he also hopes to lift industrial growth out of recession to achieve a 5 per cent rise in output next year. The danger is that higher growth could splutter out in worsening inflation and balance of payments difficulties.

In opening up the economy both domestically and to foreign competition, the budget makes several strides. The main step is the announcement of partial convertibility, which will link the value of the rupee to a market rate. Under the system to come into force this week, foreign currency holders will be able to change 40 per cent of their foreign exchange at the official rate and 60 per cent at an open market rate. The government expects the market rate will carry a premium of about 15 per cent. Banks will in practice cash travellers' cheques or remittances at a weighted rate reflecting this ratio.

The system will give Indians and foreigners greater freedom in handling their foreign exchange business in India. Indians will be allowed for the first time to keep 15 per cent of dollar earnings in dollar accounts. Apart from a restricted list of imports, including consumer goods and alcohol, they will be free to import what they want at market prices. Only oil, petroleum products and life-saving drugs can be purchased at the official rate.

The effect of the partial floating will be to encourage exports through a 9 per cent depreciation, while acting as a deterrent to imports. The partially floating rate will replace the eximscrip, an instrument introduced last year to limit the volume of imports to the availability of foreign exchange.

Officials said yesterday that freedom of capital movement, which would allow Indians to purchase fixed assets abroad, was "not even on the horizon".

Two other areas opened up to foreigners are direct portfolio investment into India and foreign investment in the production, refining and marketing of oil and natural gas. On the first, the finance minister was more cautious, saying reputable pension funds would be allowed, provided there was no threat of them getting management control.

On the second, foreign investment is being sought in an area of production and refining where expenditures are heavy and India lacks the funds.

In line with the emphasis on opening up and encouraging market forces, Dr Singh announced several moves to strengthen the capital markets.

Indian companies will no longer have to seek government permission to float an equity issue on the domestic markets or to get government approval for its pricing. The office of controller of capital issues has been abolished so that companies can determine when and at what price they approach the market.

In a separate boost to the market, Dr Singh said that financial assets would be exempt from wealth tax, a move designed to shift savings from houses and jewellery to the corporate sector.

Indian companies will also be formally allowed to float issues abroad, have more freedom to invest abroad, and to enter into ties with foreign groups.

On the reduction of tariff duties, Dr Singh excused his caution by his difficulties in offsetting lost customs duties through other taxation and by the risks of a depressed world industry dumping in the Indian market.

He lowered the maximum tariff rate from 150 to 110 per cent. He also reduced tariff duties on capital goods imports from 80 to 60 per cent with sharper cuts for electronics, oil and coal mining. But the tariff cuts are partly offset by the protective effect of the depreciation of the currency.

The net effect of the cuts was to reduce revenue from customs by Rs20bn (or about 10 per cent of the level of last year). But he reaffirmed his pledge that duties would come down to internationally comparable levels in three to four years. He made the same promise to the IMF.

In term's of India's own Byzantine tax structure, Dr Singh made a start at simplification. He announced a three-band structure with rates fixed at 20, 30 and 40 per cent. He accompanied this simplification by abolishing several exemptions.

All these structural changes helped mask the weakness of the budget: that it combines probably irreconcilable goals of bringing down inflation while accelerating economic growth.

Dr Singh embarked on his budget exercise with an economy growing more slowly than he had anticipated last July and with inflation stubbornly higher. Real gross domestic product (GDP) growth in the financial year ending is likely to be about 2 per cent and inflation nearly 12 per cent. The response of the budget to this situation has been to provide a stimulus to the economy while seeking to curb inflation.

The stimulus to the economy will come from a 1 per cent cut in interest rates announced yesterday by the minister and from tax cuts.

Against this, the deflationary pressure from the budget will come from the continuing fall in the fiscal deficit. The deficit is scheduled to fall from 8.4 per cent of GDP in 1990-91 to 6.5 per cent in the past financial year and 5 per cent in the coming financial year.

Most of the reduction in the deficit will come from cuts in spending, particularly capital spending and subsidies.

If the government is able to achieve its goals of higher growth and lower inflation, it will have turned around the economy with minimal pain. But if inflation continues to remain high, the government is in trouble.

Arens emerges as man most likely to succeed Shamir

By Judy Maltz in Jerusalem

MR MOSHE Arens, Israeli defence minister, yesterday emerged as the potential successor to Prime Minister Yitzhak Shamir for leadership of the ruling Likud party, after beating off competition from Housing Minister Ariel Sharon and Foreign Minister David Levy for the critical number two spot on the party list.

Mr Sharon, one of Likud's leading hawks and an outspoken advocate of Jewish settlements in the occupied territories, emerged number three on the list, dealing a severe blow to the more moderate Mr Levy, who was pushed down from number two to number four on the party list.

Supporters of Mr Levy, who has been an force behind Israel's participation in the Middle East peace talks, accused Mr Arens and Mr Sharon of joining forces to push the foreign minister down on the Likud roster. The Moroccan-born Mr Levy has a strong following among the working-class and poor Sephardi voters, who have traditionally given Likud its edge in polls.

Israeli troops yesterday shot dead an Arab and wounded 19 others during clashes in the occupied Gaza Strip's Rafah refugee camp, Palestinians told Reuter in Jerusalem. They said Ahmed Ibrahim Sarafandi, 18, was the third Palestinian to be killed in the camp in two days

Should Likud emerge victorious in the upcoming June national elections, Mr Sharon is likely to receive a key ministerial post as a result of his strong showing yesterday.

The US-born Mr Arens, considered to be closely allied with the prime minister, represents the mainstream camp of Likud. He had previously served as foreign minister in the national unity government several years ago.

Among the other Likud members to emerge high up on the party's list were Mr Binyamin Begin, son of former Prime Minister Menachem Begin, and Mr Binyamin Netanyahu, a deputy minister in the prime minister's office.

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985=100.

	UNITED STATES Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate	JAPAN Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	279.8	−174.2	−160.5	0.7623	100.0	230.8	76.0	64.5	180.50	100.0
1986	230.9	−140.6	−147.8	0.9836	80.2	211.1	96.2	86.9	165.11	124.4
1987	220.2	−131.8	−138.8	1.1541	70.3	197.3	86.1	75.5	166.58	133.2
1988	272.5	−100.2	−106.7	1.1833	66.0	219.8	80.7	66.6	151.51	147.3
1989	330.2	−99.3	−96.5	1.1017	69.4	245.3	70.5	52.4	151.87	141.9
1990	308.8	−79.8	−72.3	1.2745	65.1	219.9	49.8	28.1	183.94	126.0
1991	341.2	−53.2		1.2391	64.5	247.5	82.9	62.5	166.44	137.0
1st qtr.1991	75.7	−12.6	7.8	1.3440	61.8	58.3	17.2	13.2	179.68	132.1
2nd qtr.1991	89.4	−11.0	2.6	1.1844	66.4	61.0	19.5	15.9	163.77	135.9
3rd qtr.1991	89.5	−16.5	−8.9	1.1732	66.6	65.5	23.4	16.5	159.94	138.5
4th qtr.1991	87.8	−13.1		1.2548	63.3	63.1	23.1	17.1	162.38	141.2
February 1991	24.2	−4.0	n.a.	1.3908	60.2	18.4	5.3	4.2	181.36	133.2
March	26.6	−3.2	n.a.	1.2788	63.9	21.2	6.7	6.2	175.56	132.0
April	29.5	−3.7	n.a.	1.2088	65.6	18.7	6.5	6.4	165.75	135.7
May	29.6	−4.0	n.a.	1.1915	66.0	20.9	5.9	4.9	164.68	135.4
June	30.3	−3.3	n.a.	1.1530	67.6	21.5	7.1	4.5	160.88	136.6
July	30.6	−5.2	n.a.	1.1509	67.6	21.4	7.2	4.1	158.54	138.8
August	29.2	−5.5	n.a.	1.1758	66.6	21.7	8.2	6.0	160.87	138.2
September	29.6	−5.8	n.a.	1.1929	65.3	22.3	8.1	6.3	160.42	138.7
October	30.7	−5.2	n.a.	1.2082	64.6	22.0	8.0	5.3	157.77	142.4
November	29.4	−3.3	n.a.	1.2568	63.2	21.0	7.2	5.8	162.99	140.9
December	27.8	−4.6	n.a.	1.2983	62.0	20.2	7.9	6.0	166.37	140.2
January 1992			n.a.	1.2926	61.9	21.4	7.9	5.6	161.84	143.8

	GERMANY Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate	FRANCE Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	*242.8*	*33.3*	*21.7*	*2.2259*	*100.0*	133.4	−4.5	−0.2	6.7941	100.0
1986	*248.6*	*53.5*	*40.3*	*2.1279*	*108.8*	127.1	−0.1	3.0	6.7946	102.8
1987	*254.2*	*56.7*	*39.8*	*2.0712*	*115.3*	128.3	−4.6	−3.7	6.9267	103.0
1988	*272.6*	*61.6*	*42.8*	*2.0739*	*114.6*	141.8	−4.7	−3.4	7.0354	100.8
1989	*310.2*	*65.2*	*52.0*	*2.0881*	*113.5*	162.9	−6.4	−3.6	7.0169	99.8
1990	324.6	51.7	37.7	2.0537	119.1	170.1	−7.2	−7.4	6.9202	104.8
1991	327.5	10.5	−16.6	2.0484	117.7	175.6	−4.2	−4.1	6.9652	102.7
1st qtr.1991	81.3	2.9	−4.5	2.0570	119.8	42.3	−2.0	−3.0	6.9869	104.3
2nd qtr.1991	78.5	−0.5	−5.2	2.0549	118.2	43.2	−1.2	−1.4	6.9592	102.0
3rd qtr.1991	83.6	2.3	−5.3	2.0431	116.5	44.8	−1.6	−0.1	6.9441	101.8
4th qtr.1991	84.1	5.8	−1.5	2.0385	118.5	45.2	0.6	0.4	6.9606	102.8
February 1991	26.7	1.4	−0.7	2.0582	120.7	13.9	−0.49	−1.65	7.0057	104.8
March	26.9	1.3	−2.8	2.0569	118.6	13.9	−0.70	−0.86	7.0003	103.2
April	25.2	0.5	−1.2	2.0599	116.4	14.7	−0.25	−0.67	6.9587	102.4
May	27.3	−0.8	−2.2	2.0506	116.3	14.2	−0.35	−0.28	6.9508	102.0
June	28.0	−0.2	−1.8	2.0541	115.8	14.3	−0.55	−0.43	6.9680	101.5
July	27.6	0.0	−2.8	2.0529	115.8	15.2	−0.57	−0.20	6.9693	101.4
August	28.9	2.1	−1.5	2.0509	116.5	14.5	−0.60	0.43	6.9695	101.8
September	27.2	0.2	−0.9	2.0255	117.1	15.1	−0.45	−0.38	6.8935	102.2
October	27.3	1.5	−1.5	2.0419	117.1	15.8	0.95	1.23	6.9612	101.9
November	28.9	1.9	0.7	2.0413	118.6	15.0	0.05	0.17	6.9762	102.8
December	27.8	2.4	−0.6	2.0322	119.9	14.3	−0.39	−0.96	6.9451	103.7
January 1992				2.0368	119.3	14.9	0.52	0.17	6.9476	103.6

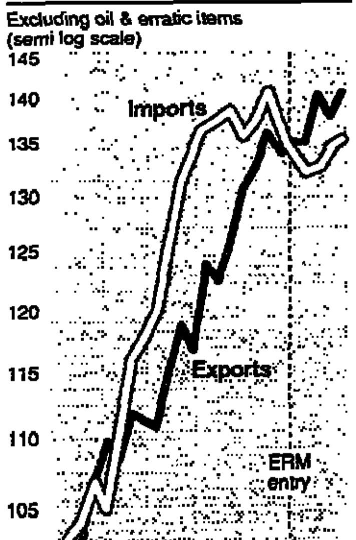
	ITALY Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate	UNITED KINGDOM Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	103.7	−16.0	−5.4	1443.0	100.0	132.4	−6.7	4.7	0.5891	100.0
1986	99.4	−2.5	−1.4	1461.6	101.4	108.3	−14.2	−0.3	0.6708	91.6
1987	100.7	−7.5	−2.1	1494.3	101.2	112.3	−16.4	−5.9	0.7047	90.1
1988	108.3	−8.9	−8.0	1536.8	97.8	120.9	−32.5	−23.4	0.6643	95.5
1989	127.8	−11.3	−14.4	1509.2	98.6	137.3	−38.6	−30.3	0.6728	92.6
1990	133.6	−9.3	−19.4	1523.2	100.6	142.7	−28.0	−20.2	0.7150	91.3
1991	137.0	−10.5	−28.0	1531.3	96.9	148.1	−14.4	−8.5	0.7002	91.7
1st qtr.1991	32.3	−4.2	−7.2	1541.4	100.1	35.4	−4.3	−3.9	0.7043	93.8
2nd qtr.1991	35.5	−3.4	−6.9	1524.6	98.6	37.4	−3.2	−0.3	0.6939	91.4
3rd qtr.1991	31.9	−1.7	−5.5	1525.4	98.1	38.0	−3.4	−1.9	0.6959	90.7
4th qtr.1991	37.3	−1.2	−8.3	1533.8	98.8	37.2	−3.6	−2.3	0.7069	90.9
1991 February	11.3	−0.8	−2.7	1544.4	100.5	11.7	−1.1	−0.97	0.7075	94.3
March	11.1	−0.4	−2.3	1534.2	99.8	12.0	−1.3	−1.12	0.7010	92.9
April	11.4	−1.5	−2.6	1525.9	98.9	12.2	−1.3	−0.31	0.6915	92.3
May	11.3	−2.1	−2.1	1521.5	98.7	12.3	−1.4	−0.41	0.6919	91.7
June	12.7	0.3	−2.1	1526.5	98.2	12.9	−0.6	0.39	0.6984	90.2
July	13.2	0.1	−2.2	1529.2	97.9	12.6	−0.9	−0.41	0.6964	90.3
August	7.5	0.2	−0.4	1533.0	98.0	13.0	−1.2	−0.70	0.6987	90.7
September	11.1	−2.0	−2.8	1513.9	98.5	12.4	−1.3	−0.79	0.6924	91.0
October	13.1	−0.9	−2.5	1526.5	98.5	12.3	−1.3	−0.84	0.7014	90.5
November	11.1	−1.6	−2.5	1537.6	98.7	12.3	−1.3	−0.93	0.7078	91.0
December	13.1	1.2	−3.3	1537.4	99.1	12.6	−1.0	−0.57	0.7116	91.2
1992 January	10.7	−2.0		1534.9	99.1	11.6	−1.5	−1.11	0.7131	90.8

All trade figures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free on board) basis, except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges). German data up to and including June 1990, shown in italics, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade-weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.

Capital gains and the UK's balance of payments constraint

The volume of UK exports and imports

Excluding oil & erratic items (semi log scale)



Source: Datastream

"GLOOM as trade deficit doubles". Last Friday's Daily Mail headline, following a provisionally estimated current account deficit of £794m in January, carried many echoes of the past. 1991's estimated current account deficit was 1 per cent of gross domestic product, down from 4 per cent in 1989 and 2.8 per cent in 1990. But if January's level were to continue, the deficit would be over 1½ per cent of GDP this year, recession notwithstanding.

Is the balance of payments about to disturb the sleep of British policy-makers once more? Not necessarily, suggests a monograph by Cliff Pratten of the Department of Applied Economics, Cambridge University, who concludes that over the course of the 1980s the UK enjoyed real capital gains of £50.4bn (at end-1989 prices) on its net holdings of foreign assets.*

What might Mr Pratten's numbers have to do with the balance of payments constraint? "The implication of the current balance-of-payment deficit," writes Mr Pratten, "is that Britain's net overseas assets are falling; but this is not necessarily the case, because of changes in the value of Britain's assets and liabilities – that is capital gains (or losses)." Net gains in the real value of assets can allow the residents of a country to spend more than their conventionally measured income, without getting any poorer.

Most of Mr Pratten's monograph is devoted to showing why official estimates of the UK's net international wealth (and changes in it) have been too low, the main reason being the valuation of direct investments at book value. His conclusion, shown in the table, is that between 1979 and 1989, UK residents became very much richer in their net holdings of international assets, even though the officially reported current account deficit was £17.2bn.

Mr Pratten's work suggests that over a run of years the inflation-adjusted current account deficit would have to exceed around £5bn in 1989 prices before the net international wealth of UK residents would deteriorate; and it would also take a long time for UK residents to become net external debtors.

Britain's balance of payments, 1979–89

In nominal terms	Official estimates (£bn)	Revised estimates (£bn)
Net assets at the end of 1979	+12.4	+19.5
Less the current account deficit during the 1980s	-17.2	-17.2
Add the balancing item during the 1980s	+26.0	+26.0
Add the allocation of SDRs	+0.3	+0.3
Add capital gains during the 1980s	+62.2	+82.3
Net assets at the end of 1989	+83.7	+110.9

In real terms	At end 1979 prices: Official estimates (£bn)	At end 1979 prices: Revised estimates (£bn)	At end 1989 prices: Revised estimates (£bn)
Net assets at the end of 1979	+12.4	+19.5	+38.2
Net overseas investment	+11.4	+11.4	+22.3
Capital gains	+19.1	+25.8	+50.4
Assets at the end of 1989	+42.8	+56.7	+110.9

Source: Cliff Pratten

So far, so comforting. But the analysis does take one only so far. Caveats include:

● **Asset price instability.** Official estimates show a decline of £57.3bn in the gross value of UK resident's foreign assets in 1990 alone. Any home-owner who planned to finance consumption by borrowing against the increase in the value of his house knows too well what that means.

● **Asset illiquidity.** Many assets are illiquid, either because they are physical assets or because of how they are held. Pension funds, for example, cannot be liquidated to finance current consumption.

● **False aggregation.** Assets enjoyed by some UK residents are not at the disposal of others, be they private individuals, companies or the government. The country could suffer from a shortage of creditworthy borrowers, while still a net creditor.

● **Governmental irresponsibility.** Behaviour of the government may so frighten both domestic and foreign investors that capital flows out, regardless of the external asset position.

● **Adverse payments trends.** The growth in net borrowing over time may undermine people's willingness to lend to UK residents.

The last problem is suggested by the chart (whose semi-logarithmic scale means that changes in slopes show changes in trends). The UK current account deficit has declined sharply since its peak in 1989. But this is largely because the volume of imports has fallen. Export performance has deteriorated, despite the recession.

It is not difficult to envisage an explosion in the current account deficit when demand growth resumes. If so, this would provide a stern test for the now conventional view that the balance of payments need have no bearing on prospects for domestic growth.

Martin Wolf

Cliff Pratten, Overseas Investments, Capital Gains and the Balance of Payments, Research Monographs 48, Institute of Economic Affairs, 2 Lord North Street, London SW1P 3LB.

Pace of recovery 'hampered' by election timing

By Charles Leadbeater, Industrial Editor

SENIOR UK industrialists have warned the prime minister that political uncertainty about the timing of the election is seriously hampering the economy's recovery from recession.

The message that consumers and home buyers are prolonging the recession by putting off decisions until after the election, was forcibly delivered at a dinner Mr John Major held with industrialists last week.

The same message has been driven home at meetings ministers have been holding with businessmen in an effort to repair the Conservative party's relations with industry.

Senior ministers last week cited industrialists' concern that the recession was being prolonged by uncertainty as a reason for calling the election sooner, for April 9, rather than holding out until the summer.

Many industrialists believe strong consumer demand is being held back by concerns that a Labour victory might lead to higher rates of taxation, according to interviews with more than a score of chairmen and chief executives of manufacturing companies conducted by the Financial Times in the past week. Most believe further delay in calling the election will only prolong a recession which has proved to be deeper and longer than most companies were expecting last year.

They fear the uncertainty created by a hung parliament could have serious consequences, damping demand for the rest of the year until it was clear whether there would be a second election.

The election comes at a critical time for many manufacturing companies. Most did not expect the recession to last more than 12 months. The best have come through the past year by cutting employment and non-essential investments. They are now facing the question of whether to make cuts in spending on training, research, product development and new machinery, which could inflict long-term damage upon their businesses.

Sir David Lees, chairman of GKN, the engineering group, said: "There is a danger that if the government waits for confidence to pick up before calling an election it will just compound the unease and delay the recovery."

Business sense: you're only as good as you feel

By Emma Tucker

THE "feel good" factor can win or lose general elections, and with business confidence falling rapidly, time is running out for the government.

With economic indicators unlikely to show any great improvement before the election, the government is pinning its hopes on fostering an optimistic mood with a tax-cutting Budget on March 10.

This might not be as easy as it sounds. Confidence is elusive; hard to create and even harder to define. Unlike inflation and interest rates, the mood of business and consumers cannot be precisely measured and fed into computer models. Put simply, it is to do with expectations. If entrepreneurs expect favourable markets they invest and growth takes off.

The Confederation of British Industry has tracked business confidence since 1958 by asking businesses whether they are more or less optimistic about prospects than they were three months before and plotting the difference to give an optimism index.

The index reached its nadir in January 1974, (-75) after the announcement of a three-day working week. The boom of the late 1950s and the launch of the Labour election campaign in 1963 saw it reach more than 50 per cent.

The CBI says the most important determinant of general business optimism identified in its survey is the level of orders. Interest rates rank second with exchange rates and political conditions at home ranked equal third.

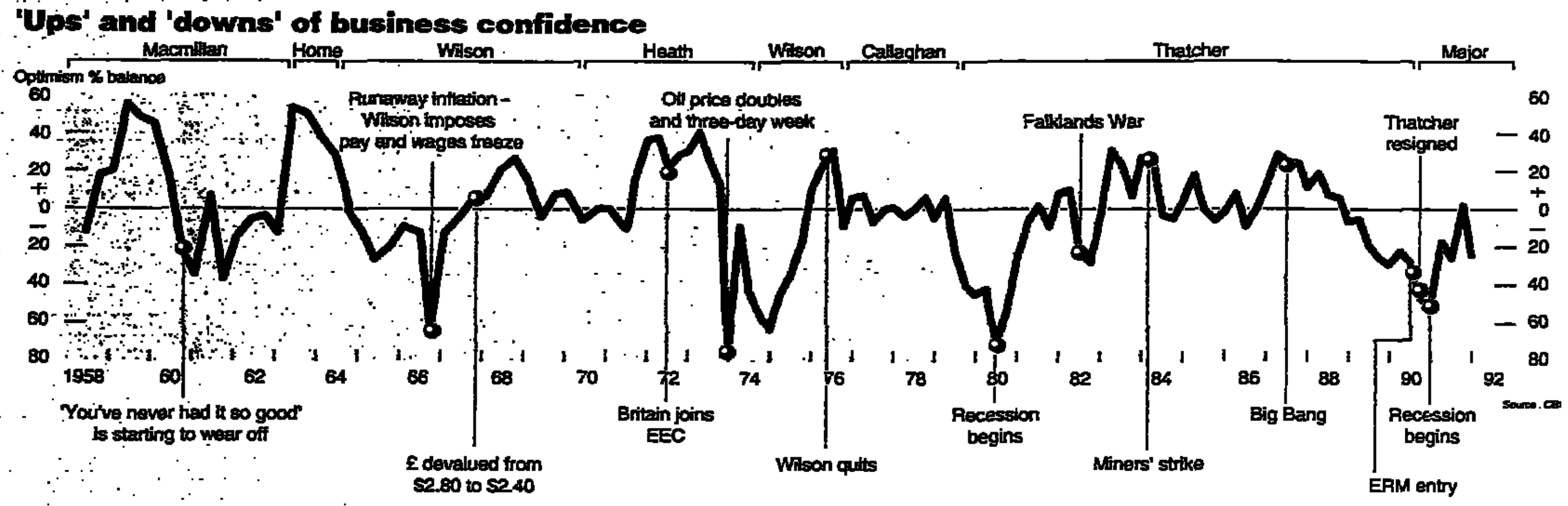
But what kind of effect can a hot summer, sporting success, or the end of a war have on that elusive "feel good" factor? If you are looking for a consumer led recovery, events such as a World Cup win are a good thing, says Professor Nigel Nicholson, director of the centre for organisational research at the London Business School.

"But you can only buck the market for so long, and there are always going to be global economic forces at work at the same time," he adds.

Mr Kevin Gardiner, an economist at S.G. Warburg, also believes businesses are influenced by national issues such the strength of sterling or the level of interest rates. "People who fill in the CBI surveys watch the media as much as anyone else and are going to be influenced," he says.

This year the general election is affecting confidence. Mr Paul Droop, an economist at the Ernst & Young Item Club, which draws up economic forecasts using the Treasury's computer model, says the election is bad for optimism. "If there is a change in government there could be a change in policy, so no one really knows what to expect."

'Ups' and 'downs' of business confidence



Increase in claims hits UK insurers

By Chris Tighe

THEFT INSURANCE payments rose by more than 60 per cent for domestic properties and 20 per cent for commercial premises to a total of more than £800m last year, according to figures to be released by the Association of British Insurers next week.

The ABI, which represents most UK insurers, will also announce that fire damage pay-outs last year rose to £1.02bn, half of which is thought to be due to arson. About £100m of this, it believes, resulted from policy holders setting fire to their own property to claim insurance money.

Other heavy loss-making categories include theft of cars, where claims rose by 50 per cent, and mortgage indemnity policies which compensate lenders when properties are repossessed.

The figures for 1991 highlight the background of recession and rising crime against which Royal Insurance and Commercial Union last week announced heavy UK underwriting and pre-tax losses.

Results from other insurers in coming weeks are expected to be similarly poor; General Accident, which reports tomorrow, says 1991 was "pretty horrendous" for UK insurers.

Juror denies Guinness trial was too complex

THE leader of the jury in the recently collapsed second Guinness trial has rebutted widespread claims that the trial was too complicated for juries to understand, writes David Lascelles.

Mrs Edna Wijeratna, in an unusual public statement on the handling of complicated City trials, blames the length of the trial on the decision by Mr Roger Seelig, one of the main defendants, to conduct his own defence.

She also says members of the jury wondered whether "the consideration extended to Mr Seelig would have been forthcoming for a defendant in humbler circumstances."

The government is considering urgent reforms to English fraud law following the conclusion of a number of big City trials such as the Blue Arrow case, which cost an estimated £35m, and Guinness II.

Mrs Wijeratna's views are set out in a letter to the Financial Times.

In it she asserts that the jury had no undue difficulty in understanding the details of the case, contrary to the view expressed by many legal experts.

The judge ended the trial on February 11 after psychiatrists reported that Mr Seelig was suffering from severe mental, physical and emotional strain.

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Planesail plain sailing

High-tech yacht wins US orders

THE BRITISH manufacturers of a revolutionary ocean-going yacht have won orders worth £1.2m after launching their 'Planesail' trimaran in the competitive US market.

The yacht relys on three computer-controlled wings rather than sails.

Walker Wingsail Systems, the Plymouth-based boat builder, announced orders for five vessels at the Miami boat show this weekend.

"There is a lot of interest in the wing system because Americans seem to like something different and new," said a Walker Wingsail spokesman in Miami.

Politicians to consider fresh talks on Ulster

By Ralph Atkins and Our Belfast Correspondent

NORTHERN Ireland ministers and local politicians will today try to decide how negotiations on the province can be restarted amid news that church men have sought to curb loyalist paramilitary attacks.

Further IRA bomb attacks in London at the weekend soured the optimism over Northern Ireland's future created by a surprise agreement on Friday between nationalist and Unionist leaders to resume "round-table" talks before the election.

Mr Peter Brooke, Northern Ireland secretary, will hear details of the deal this morning but the proximity of the general election means only a few formal sessions are likely.

It has emerged, meanwhile, that representatives of the Presbyterian Church have met members of the legal Ulster Defence Association, the largest loyalist para-military group.

Mr Brooke will meet Irish ministers in Dublin on Friday at an Anglo-Irish conference, where a suspension of further conference meetings — a Unionist pre-condition for talks — could be agreed.

"Round-table" talks could start the following Monday but would probably be halted if later that week Mr Major called an April 9 general election.

MANAGEMENT

Charles Leadbeater asks business leaders what contingency plans they are making for a change in government, and meets with a blank response

Over the heads of the politicians

As Britain's political leaders, with their teams of strategists, pollsters and public relations gurus, feverishly finalise their plans for the election campaign, the captains of the nation's industry look on with an air of bemused indifference.

Business has grown used to having the Tories in power. It has been the beneficiary of more than a decade of reform designed to promote a healthier commercial climate. Yet companies seem unruffled by the prospect of a change of government.

Robin Biggham, chairman and chief of BICC, the construction, engineering and cables group, voices a widely held view: "Political uncertainty really has had no direct bearing on the way we are managing the business."

What explains the equanimity with which managers view the election and how well grounded is their confidence that political turmoil will not have a big impact on the way they do their jobs?

Big British companies are less vulnerable to political pressures than they were a decade ago, because the nature of the pressures has changed and so have the businesses.

Large companies such as GKN, the engineering group, have reduced their reliance upon the UK economy and thus their vulnerability to changes in government policy. As Sir David Lees, GKN's chairman, explains: "Two thirds of our business is overseas, a decade ago two thirds was in the UK."

Moreover, there is greater agreement than before over economic policy. Sterling's membership of the European exchange rate mechanism has provided an anchor for other policies, while European economic and monetary union will also impose constraints on budget deficits. Both parties are at least rhetorically committed to the market economy, sceptical of incomes policies and pledged to develop Britain's role within a more integrated EC economy.

It is therefore not surprising that industrialists say the policy debate in the election campaign has had little direct impact on business. A key indicator of that can be seen in investment intentions. Companies say they are not delaying investments to wait until the outcome of the election is clear.

Sir David at GKN says: "We are planning investment decisions on a two- to four-year horizon, so short-term political factors cannot have much of a bearing upon those decisions. The odd company car purchase might have been deferred. But big decisions do not depend upon politics."

The main impact is indirect. Industrialists are increasingly concerned that uncertainty among consumers is delaying recovery. Many companies believe strong underlying demand in housing and consumer markets is being held back because consumers are waiting for the outcome of the election. A further delay to calling the election or a hung parliament would further prolong the uncertainty and thus the recession.

John Hudson, the chief executive of Wagon Industrial, the Telford based engineering group, said: "Political uncertainty is having a most debilitating effect upon consumer markets."

Tom O'Connor, deputy chairman of Elta plastics, agrees: "Consumer markets need something to create a degree of confidence. Nothing will do that before the election and a hung parliament could be very serious because that would mean another election in 12 months."

According to Sir David: "The general unease among consumers, about issues such as the effects of tax plans, is quite harmful. There is a danger that if the government waits for confidence to pick up before calling an election it will just compound the unease and delay the recovery."

So companies' planners may be ready to adjust their projections of the timing of the recovery to take account of when the election is called and whether it delivers a clear verdict.

However, managers at three groups of companies will be thinking about the election with much greater attention to detail than manufacturing industry in general.

- Life could change dramatically for public corporations which could be privatised if the Tories win – British Rail and British Coal – and for privatised companies that could face a threat of renationalisation if Labour wins – principally the water companies.

The very existence of BR as a corporate entity depends on whether a Conservative government returns to carry out its rail privatisation plans.

Sir Bob Reid, BR chairman, has sought to protect his managers from the worst effects of the uncertainty by telling them to get on with their work while a small policy team at headquarters writes position papers, briefs the board, and fields requests for information from the Department of Transport.

- Defence companies, such as British Aerospace and GEC, stand to lose the most from changes in government procurement policies. At BAe the appointment of a new chairman is likely to be delayed until it is clear who will be the company's political masters. The Saudi Arabian government is thought to be delaying extending its lucrative arms deal with the company until the election is decided.
- Businesses in Scotland and Wales may have the most to worry about from the changes which might flow from growing calls for devolution.

Scottish companies are already unsettled. Garrick at Weir said: "The Scottish scene is very uncertain, the debate is very confused and shallow. There is strong opinion in favour of devolution which would come with tax raising powers. That is very concerning because some people in Scotland would go crazy if they were given the opportunity to raise funds with other people's money."

He added: "That means we are not rushing major investments decisions in Scotland but we will be going ahead with investments in England. Business will vote with our feet."

The political environment for business is in the midst of a significant change, but the election is only a small part of this. The really significant political shift is from the values, language and priorities of Thatcherism to those of the post-Thatcher world whether run by a Tory or Labour government.

The free wheeling, debt funded, entrepreneurial, *laisser faire* boom of the 1980s is over. In the first half of the 1990s growth will be slower, profits harder to win and the outlook less stable than in the 1980s.

British managers are coping with after effects of the Thatcher boom, fighting their way through recession. They are only just beginning to address how the skills which will be demanded of them in the years to come will differ from those of the decade just gone.

Maximum muddle over minimum pay

A lot of UK companies are worried about the Labour Party's planned minimum wage, but few have investigated how to mitigate its effect.

The Labour Party is committed to a minimum hourly rate of 50 per cent of male median earnings – £3.40 per hour in 1992 terms. Such a minimum could effect 3m employees, or 15 per cent of the workforce, according to a recent study by the Institute of Personnel Management.

The policy has sparked particularly loud protests from retailers, caterers and textile companies, and the Confederation of British Industry has called the minimum wage a recipe for unemployment.

John Wilson, director of the British Catering Industry Association, says: "If the Labour Party interprets the policy as a national minimum hourly rate, that could add about 30 per cent to the industry's pay bill."

However some protests have been scaled down after clarification of Labour's plans. Labour says that the £3.40 applies to hourly earnings – including extras – and not just the basic rate. It does, however, exclude overtime.

The IPM study shows fewer than 50 per cent of employers were well informed on the subject. Some employers thought the minimum wage would not affect them when it actually would.

Colin Purvis, head of the textile industry's association, is not worried about the effect on larger employers. He believes that only the sweat shops will be affected, although argues that they will be difficult to police.

Mary Clarkson, employment researcher at the Institute of Directors, says employers are not planning ahead and would only begin to do so in the first days of a Labour government. Not all employers are opposed to the minimum wage.

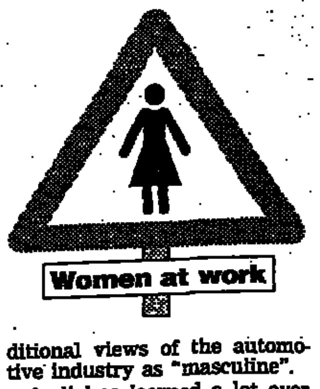
Roger Faulkner, personnel director at Walsgrave Hospital, Coventry, said he was already looking at low pay but stressed that a minimum wage would have to be linked to productivity. Health is one sector where half the respondents to the IPM study said they supported the minimum wage.

David Cowden, managing director of Securicor Guarding Ltd, which employs 3,000 guards, said: "If the Labour Party does come in and impose these kinds of rates on the industry, it could be quite good for us. It would attack the cowboys who pay low rates."

Catherine Milton

Equality, not pornography

By Lesley Abdela



The auto industry has always been dominated by men, but at the Audi factory at Ingolstadt, near Munich, women are beginning to make their mark. For the last decade they have become an increasingly common sight on the production line. They are now also to be spotted in the ranks of management.

The factory is loaded with women-welcome signals. Instead of the pornography that graces the walls of most factories, there are posters showing women and men working on cars wearing identical company overalls.

Audi started hiring young women as apprentice tool makers and mechanics in 1978. As 80 per cent of the company's jobs are technical, the initiative was seen as essential if the company was to cease to be a male-stronghold.

In some respects Germany has a more traditional view of male-female role differences than Britain, but in the last few years both the government and big companies have been trying to make it easier for women to combine careers and family. With the birth rate falling sharply, women are increasingly seen as important to companies like Audi.

At the outset, Audi set itself the goal of increasing the proportion of female apprentices to 25 per cent. Over the last 14 years, 700 women aged 15 to 20 have taken places on these training schemes, many of whom have gone on to do advanced training.

It has not been easy: the proportion of female apprentices has still not reached the target, although it has risen from around 5 per cent to nearly 20 per cent.

One of the most difficult problems has been to persuade the women themselves to do technical jobs – Audi found the majority were much keener to go into sales-related jobs.

In an attempt to change attitudes, the company is running advertisments in German newspapers pitched specifically at female recruits. It sends members of staff to give talks in schools to parents and students explaining the potential for young women coming into their factory, to overcome traditional views of the automotive industry as "masculine".

Audi has learned a lot over the last decade about how best to integrate women into the company. Ten years ago the women were put in separate teams from the male apprentices but this did not work well. Now the teams are mixed, with at least two girls on a team. Women apprentices are encouraged to attend seminars where they can swap experiences.

More recently, Audi has shifted its emphasis to trying to get women managers. This is part of a general move in German management, related to a shift away from Prussian-style hierarchies, to increase the ratio of women to men.

"Where does it say that men make the best managers? It is our policy to encourage more women to join the next generation of engineering and business managers . . ." an Audi recruitment advertisement promises.

Realising no equal opportunities programmes will work without endorsement from the top, the company has given a board director overall responsibility for women's development.

Audi offers its staff 50 different types of part-time work. Mothers can take career breaks for up to seven years with a guaranteed job when they return. They can retrain with Audi during their maternity leave.

As a company spokesman says: "We have recognised the problem and are doing something about it in a positive way. What we don't want or need is quotas issued by the government."

THE WEEK AHEAD

ECONOMICS

Hopeful eyes seek signs of 'robins on the lawn' amid US indicators

A BUSY week for economic indicators in the US will give economists and financial markets a chance to judge whether US Treasury Secretary Nicholas Brady's new found optimism about recovery is justified or not.

He says he has spied "robins on the lawn". The consensus of analysts' forecasts compiled by MMS International, the business information group, suggests he may be right.

Today's report from the National Association of Purchasing Managers (NAPM) is expected to point to a slightly more upbeat assessment of the outlook among manufacturers.

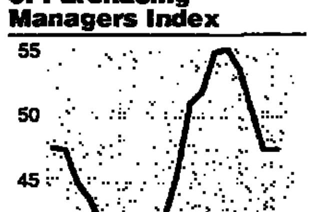
Friday's labour market data for February should show no further increase in unemployment from January's 7.1 per cent.

A quiet week for UK economic news will be overshadowed by more frenetic political activity ahead of the Budget on March 10.

Several important inflation indicators will be published on the European continent.

With Germany's preliminary cost of living index for February expected to show annual inflation at more than 4 per cent, the Bundesbank will not want to relax its high interest rate policy for the time being.

National Association of Purchasing Managers Index



Source: Datastream

Events and statistics, with median market forecasts from MMS in brackets, include:

Today: US: February NAPM index (48 per cent), January personal income (flat), personal consumption expenditure (up 0.4 per cent), construction spending (up 0.4 per cent), fourth quarter merchandise trade balance. UK, January final money supply. Japan, February foreign exchange reserves. Canada, December building permits (down 1 per cent), leading indicator (up 0.2 per cent).

Tomorrow: US: Presidential primaries in Colorado, Idaho, Minnesota and Maryland, January leading indicators (up 0.6 per cent), January new home sales (up 3.7 per cent). UK: February official reserves (down $120m). Japan, January unemployment rate. Australia, January seasonally adjusted current account (A$960m deficit).

Wednesday: US: January factory goods orders (up 0.9 per cent), goods shipments. Australia, January building approvals (up 2.5 per cent). Canada: February help wanted index, foreign reserves.

Thursday: Germany: Bundesbank council meeting, third round of public sector wage talks begins, February German unemployment, vacancies, short time working, January employment. US: Treasury secretary Nicholas Brady testifies to House foreign relations committee on administration's international agenda; money supply figures for week to Feb 24, weekly initial claims. UK: February new car sales, January cyclical indicators.

Friday: Japan: February Tankan report. US: February unemployment rate (7.1 per cent), manufacturing payrolls (down 16,500), non-farm payrolls (up 24,000), hourly earnings, average week worked, January consumer credit (flat). UK: January housing starts, fourth quarter balance of payments. Canada: February unemployment (10.4 per cent), employment growth (flat).

During the week: Germany: January industrial production (up 1.5 per cent), manufacturing output (up 1.1 per cent), manufacturing orders (up 0.5 per cent), trade balance (DM3.5bn surplus), current account (DM1.4bn deficit). February preliminary cost of living (up 0.4 per cent on month, 4.1 per cent on year). Switzerland: fourth quarter GDP (up 0.3 per cent annualised on Q3), February consumer prices (up 0.4 per cent on month, 4.3 per cent on year). Italy: February consumer prices (up 0.8 per cent on month, 6.1 per cent on year, January balance of payments, reserves. France: January M3 (up 0.3 per cent on month).

Peter Norman

RESULTS DUE

At BICC, the cables and construction group, the impact of recessions in North America, Australia and the UK was previously softened by the resilience of the continental cables market. Last year that stronghold began to weaken and pre-tax profits are expected to have fallen to about £100m (from £183m). The range of estimates ahead of Wednesday's announcement is quite wide because of uncertainty about exceptional charges for property write-downs and reorganisation.

General Accident, the Perth-based general and life insurer, reports its 1991 results tomorrow. Like Commercial Union and Royal Insurance, GA is expected to post losses. However, the company's exposure to mortgage indemnity losses, which contributed heavily to Royal's disastrous performance this week, is limited. Even so, underlying trading performance is weak and losses for 1991 are expected to be in the region of £160m, against £121m last year.

GKN, the motor components and industrial services group, is expected to show on Wednesday pre-tax profits virtually halved from £172m in 1990 to between £85m and £90m last year.

With most of its continental European markets turning down alongside the UK and US, the few cushioning factors have included its involvement in new models. GKN is credited with good cash conservation and the dividend is thought to be safe, if uncovered.

Cadbury Schweppes' premium rating among food-processing shares will be put to the test when it reports full-year results on Wednesday. Though last year's overall growth in UK confectionery and soft drinks volumes was unexciting, the company is thought to have benefitted from a last-minute, pre-Christmas buying surge and from steady price increases on the drinks side. Forecasts range from £310m to £316m pre-tax, up from £279.6m in 1990.

Ladbroke, the leisure group, is expected to report on Thursday a one-third fall in pre-tax profits to about £210m (£365m). Three of its four divisions will be worse off. Trading profits from hotels, bearing first-quarter Gulf War damage, will be about £128m (£149m); those from betting, reflecting poorer punters, will be about £82m (£91.7m); and property could drop to a loss of £17m after interest (£45.2m profit). Only Texas, the DIY chain, will be ahead from £39.7m.

Abbey National, the retail banking group, is expected to announce tomorrow pre-tax profits for 1991 between £610m and £630m, up from £582m a year ago. This would make it the second most profitable bank in the UK, a whisker behind Lloyds (£645m) but comfortably ahead of Barclays (£533m).

Provisions against loan losses will be sharply up from last year's £55m.

Rolls-Royce, the aero engine manufacturer, is expected to report a sharp fall in profits when it publishes its 1991 figures on Thursday.

The range of market forecasts is between £60m-£80m, down from last year's figure of £176m, with the slowdown in delivery of new engines and spares and redundancy costs blamed by analysts for the reduction.

Analysts believe the company will maintain an uncovered final dividend of about 4.7p, making a year's total of 7.25p.

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Barr (AG), Kidsons Impey, Dreckenridge House, 274, Sauchiehall St., Glasgow, 11.00
Shoprite, Sefton Hotel, Harris Promenade, Douglas, Isle of Man, 12.00
United Scientific, Savoy Hotel, W.C., 12.15
BOARD MEETINGS:
Finals:
ASW Hldgs.
Billam (J)
Doeflex
Harrington Kilbride
Lilleshall
Unidare
Utd. Plant Africa
Interims:
Domestic & General
Thorpe (FW)

■ TOMORROW
COMPANY MEETINGS:
Bradstock, Hyde Park Hotel, 66, Knightsbridge, S.W., 12.00
First Philippine Inv. Trust, Knightsbridge House, 197 Knightsbridge, S.W., 12.00
Granada, Grosvenor House Hotel, Park Lane, W., 11.30
Torex Hire, Plymouth Moat House, Armada Way, Plymouth, Devon, 11.30
BOARD MEETINGS:
Finals:
AAF Inv.
Abbey National
BICC
Burnfield
Commercl. Bank of London
Cowie (T)
Expamet Intl.
Fisons
GT Chile Growth Fund
General Accident
Grahams Rintoul
Gresham Telecomputing
Hampden Homecare
Instem
Serco
Interims:
Hays
Intereurope Tech. Servs.
Microfilm Reprographics
Pifco

■ WEDNESDAY MARCH 4
COMPANY MEETINGS:
City Site Estates, Forte Crest Hotel, Glasgow, 10.30
Shaftesbury, The Savoy, Strand, W.C., 12.00
BOARD MEETINGS:
Finals:
Brit. Polythene Inds.
British Vita
Cadbury Schweppes
GKN
Heywood Williams
Intrum Justitia
Metal Bulletin
Stat-Plus
Templeton Galbraith
Victaulic
Interims:
Galliford
Haggas (John)
Sinclair (William)

■ THURSDAY MARCH 5
COMPANY MEETING:
Windsor, Lyon House, 160/166, Borough High Street, S.E., 11.30
BOARD MEETINGS:
Finals:
French Property Tst.
Ladbroke
Life Sciences Intl.
MTL Instruments
MTM
More O'Ferrall
Northern Eng. Inds.
Pentland
Pentos
Radius
Readymix
Rolls-Royce
Sema
Singer & Friedlander
TLS Range
Interims:
Brierley Invs.
Raine Inds.
Renishaw

■ FRIDAY MARCH 6
COMPANY MEETINGS:
Evode, Tillington Hall Hotel, Eccleshall Road, Stafford, 12.00
French (Thomas), Sharston Road, Wythenshawe, Manchester, 12.00
Kunick, Park Lane Hotel, W., 11.00
Treatt, Angel Hotel, Angel Hill, Bury St Edmonds, Suffolk, 12.00
BOARD MEETING
Final:
TV-am

Company meetings are annual general meetings unless otherwise stated.

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Aberdeen (City of) 10 8pc 2011 5 4pc
Ahmanson (HF) 22cts
American Brands 43.75cts
Asarco 20cts
Automated Security 5pc Pf 2.5p
Barclays Bank Reg. C Units 52.735cts
Do D Units 53.906cts
Do. Non-Cum A $0 52125
Do. Non-Cum B $0.50975
Do. Non-Cum C1 42.1875cts
Do. Non-Cum C2 10.5475cts
Do. Non-Cum $ Denom. D 43 125cts
Border TV 1.1p
Dixons 1.6p
Dobson Park Inds. 3.85p
Enserch Corp 20cts
Fletcher King 0.5p
Ford Motor 40cts
Do. Bdr. 2cts
Goldsmiths 1.5p
Ingersoll-Rand 33cts
Lockheed 50cts
Merchant Retail 1.1p
Midlands Radio 1p
Northumbrian Water 6.8p
Richards 2.93p
State Bank of New South Wales Putt. Adj. Rate Nts.1994 A$78.13
Thornton (G W) 3.25p
USLIFE 41cts
Union Carbide 25cts

■ TOMORROW
Chiltern Radio 1p
Conversion 9pc 2000 4$\frac{1}{2}$pc
Gestetner 6.4p
Letinvest 10$\frac{1}{4}$pc-11$\frac{1}{2}$pc Step. Int. Mtg. Deb. 2012 5$\frac{5}{8}$pc
Mazda Motor 8.4pc Bds. 1999 Y167,111
Do. 6.4pc Bds. 2000 Y167,111

■ WEDNESDAY, MAR 4
Aberdeen Tst. 1.5p
Farepak 1.45p
McCarthy & Stone 0.5p
South West Water 7.1p
Woolwich Bldg. Soc. Fltg. Rate Nts. 1996 £271.01

■ THURSDAY, MAR 5
Assoc. British Foods 4.5p
Bank of Ireland Var. Rate Nts. $1,516.67
Fujitsu 6.3pc Bds. 1997 3.15pc
Gillette 15.5cts
Prism Leisure 1.5p

■ FRIDAY, MAR 6
Aberforth Smaller 2.5p
Aberforth Split Level Tst. Units 2p
Do. Inc. 2p
BP America 12$\frac{1}{4}$pc Gtd. Nts. 1996 12$\frac{1}{4}$pc
Bank of Greece 10$\frac{3}{4}$pc Ln 2010 5$\frac{3}{8}$pc
Do. (Br) 5$\frac{3}{8}$pc
Barclays O'seas. Gtd. Fltg. Rate Nts. 2004 $150.09
Brasway 0.24p
Colorvision 3.1p
Darby 1.2p
Dares Ests. 8pc Ln. 1992/97 4pc
Denmans Electrical 4.2p
Federal Business Dev. Putt. Adj. Rate Nts. 1992 C$87.50
Hydro-Quebec 10$\frac{5}{8}$pc Deb. 8/3/2001 5$\frac{5}{16}$pc
Joseph (Leopold) 9$\frac{1}{4}$pc Ln 1997/2002 4$\frac{5}{8}$pc
Mhangura Copper Mines NZ$0.05
National Australia Bank Sub. Var. Rate Nts. 2000 £283.44
Natl. Medical Enterprises 11.5cts
Nat West Bank Var. Rate Cap. Nts. 2009 £276.61
Nobo 1p
River & Merc. Extra Inc. 1.9687p
Rustenburg Plat. 87.5cts
Thorn EMI 9p
Waddington (John) 10$\frac{1}{2}$pc Deb. 1990/95 5$\frac{1}{4}$pc
Whitbread 9$\frac{3}{4}$pc Deb. 1991/96 4$\frac{7}{8}$pc
Yorks Chem 10pc Deb. 1991/96 5pc

■ SATURDAY, MAR 7
Bristol & West Bldg. Soc. Fltg. Rate Nts. 1994 £261.27
Hydro-Quebec 9pc Deb 7/3/2001 9pc
Redland Global Funding 12$\frac{7}{8}$pc Gtd. Nts. 1994 12$\frac{7}{8}$pc
Sainsbury (J) 7$\frac{1}{4}$pc Mtg. Deb. 1987/92 3$\frac{5}{8}$pc

■ SUNDAY, MAR 8
Renold 7$\frac{5}{8}$pc 2nd Deb. 1992/97 3$\frac{13}{16}$pc
Treasury 10pc 2003 5pc

PARLIAMENTARY DIARY

TODAY

Commons: debate on asylum and immigration. Debate on Select Committee report on sittings of the House. Debate on the Church of England (Miscellaneous Provisions) Measure.

Lords: Community Care (Residential Accommodation) Bill, Committee. Education (Schools) Bill, Committee. Coal Industry Bill, report

Select Committee: Public Accounts - subject, Ship Safety. Witness: Patrick Brown, Department of Transport (Room 15, 4.30 pm).

TOMORROW

Commons: Further and Higher Education Bill, remaining stages. Proceedings on the Taxation of Chargeable Gains Bill

Lords: Access to neighbouring Land Bill, third reading. Further and Higher Education (Scotland) Bill, Committee. Prison Security Bill, Committee. Aggravated Vehicle Taking Bill, third reading.

Select Committees: Employment - subject, White Paper on "People, Jobs, and Opportunity". Witness: Michael Howard, MP, Employment Secretary(Room 15, 4 15 pm). Broadcasting - subject, progress on establishing a dedicated Parliamentary TV channel. Witnesses: United Artists Programming Ltd; Independent Television Commission (Room 8, 4.45 pm).

WEDNESDAY

Commons: timetable motion and consideration of Lords Amendments to the Local Government Finance Bill. Transport and Works Bill, remaining stages. Completion of the Offshore Safety Bill and the Nurses, Midwives and Health Visitors Bill. Motion on Social Security disability regulations.

Lords: debate on the economy. British Waterways Bill, proceedings after third reading.

Select Committees: foreign affairs - subject, Europe after Maastricht. Witnesses: Foreign Office officials. (Room 15, 10.30 am).

Unopposed Bills: Avon Weir and Folkestone Harbour Bills (Room 9, 11.00 am.).

Health - subject, NHS Trusts. Witnesses: the Guys and Lewisham NHS Trusts, and the Bradford Hospitals NHS Trusts and their purchasers. (Room 6, 4.15 pm)

Public Accounts - subject, cervical and breast screening in England. Witness: Duncan Nichol chief executive, NHS management executive (Room 15, 4 15pm)

THURSDAY

Commons: debate on Yugoslavia. Debate on Northern Ireland affairs.

Lords: Coal Industry Bill, third reading. Local Government Bill, consideration of Commons Amendments. Competition and Services (Utilities) Bill , committee. Social Security (Mortgage Interest Payments) Bill, committee.

Select Committee: Defence - subject, progress of the Trident programme Witnesses: MoD officials. (Room 16, 10.30 am)

FRIDAY

Commons: Private Members' Motions.

Lords: Pariamentary Corporate Bodies Bill, second reading. Motions on Northern Ireland regulations.

FINANCIAL TIMES SURVEY

NORTH OXFORDSHIRE

Monday March 2 1992

Completion of the M40 has brought quiet market towns within reach of the motorway network. Ribbon development has been held back by recession, while the local authorities are trying to ensure that growth is not at the expense of the environment, writes **Stewart Dalby**

Growth: right kind only

THE COMPLETION of the final 55-mile phase of M40 motorway from Oxford to Birmingham, just over a year ago, was meant to be the starting gun for a development spurt in North Oxfordshire.

But with outline planning consent for this stretch given as long ago as 1969, plans for the area had been laid well in advance, and farmers and landowners had done their deals with property developers at meetings in the mid-1980s in the hotels of Banbury – the main town in the area.

Planning consents were given for more than 300 acres of land along this newest corridor. enough, even if developed at a low density, for more than 1m sq ft of office, light industrial or warehousing space.

Yet, the concern expressed that this part of the M40 might end up with the kind of ribbon development seen along sections of the M4, or that Banbury might be completely ringed by business parks, putting pressure on the social and transport infrastructure of the town centres has also proved unfounded.

It has not turned out like that, so far at any rate, because of the recession. The take-up of land has been only a small percentage of that with permission. Roughly 300,000 sq ft of new industrial and commercial space has been developed, but only a quarter of this has been let or sold. Most of the new business parks and office space stand empty.

The potential for development is definitely there. The completion of the M40 has meant that quiet market towns, such as Banbury, Bicester and Kidlington, are now plugged into the motorway network. They are close to two important airports, London's Heathrow and Birmingham International. They are also between two major universities, Oxford and Birmingham. In both cases there are research facilities for companies to lock into, as well as a supply of graduates, some of whom will want to look for work locally.

When the economy improves, North Oxfordshire will have to compete with Milton Keynes, Peterborough and Northampton, and even Oxford for investment. Oxford is now beginning to emulate Cambridge by developing a science park for businesses.

In terms of rent and wages, North Oxfordshire is competitive with these other locations. There is also a supply of labour and more is likely to come on to the market with the run-down of a US airbase in the area. It has good road and air communications, although the rail links with London could be improved.

It also has the draw that other relocation towns seeking investment, such as Swindon, had in the early days of their expansion – an attractive countryside with pretty towns and villages where incoming executives and employees can live at reasonable cost.

The recession has given Cherwell district council, the main local authority in the area, a respite to consider the kind of investment it wants and to make sure new developments are consistent with what can be comfortably absorbed.

The case of Coca-Cola & Schweppes Beverages' proposed development in Banbury two and half years ago is still much on people's minds. Like an angler's one-that-got-away yarn, every businessman or local government official whom the visitor meets in the area has a slightly different variant of the story.

Coca-Cola & Schweppes Beverages is a joint subsidiary of Coca-Cola and Cadbury Schweppes, which cans and distributes products from both companies. Two and a half years ago, it was interested in a 50-acre site on the outskirts of Banbury. It could have been a £100m investment, creating 1,000 jobs.

In the end, the company decided to buy some land outside Northampton, the other location it examined.

Mr Grahame Handley, the chief executive of Cherwell District Council, says: "There were genuine environmental problems. There would have been 1,800 lorries a day. The plant would have used more water than all of Cherwell currently uses."

Villagers in Chacombe, to the north-east of Banbury, were worried that the prevailing winds might waft emissions from the plant.

Planning permission was not given, and, while some business leaders feel that the episode showed an unwelcoming attitude to new investment, it has nevertheless concentrated minds locally on what kind of development is right for the area.

Banbury Cross, immortalised in the nursery rhyme and now rebuilt Photographs for this survey by Trevor Humphries

Mr Handley says: "Attitudes are changing. We have a marvellous opportunity to develop the area now that the M40 is open. But we want to develop it commensurate with what it can absorb. We are not looking for a 500,000 sq ft development employing thousands of people. The area is not structured like that. We want companies employing around a couple of hundred people and taking up 50,000 sq ft of office or factory space.

He talks of developing a communications corridor, and says a start has already been made in attracting Talkland and Alcatel Network Systems. Talkland is involved in cellular communications and Alcatel sells telecommunications equipment. They plan to employ 240 and 80 workers respectively.

Since he was appointed chief executive last April, he has set up an M40-Cherwell Investment partnership with local businesses to promote the area. He has involved the local North Oxfordshire college in training and has tried to move on other fronts to improve the infrastructure of Banbury, Bicester and Kidlington.

His actions have won support from the local business community. "North Oxfordshire now has an excellent opportunity of getting it right and developing. Otherwise, places like Banbury will remain quiet backwaters with ageing and increasingly dependent populations," Mr John Bridgeman, managing director of British Alcan Enterprises, observes.

He adds: "Getting it right involves a more welcoming attitude to business and achieving a critical mass in the towns, in terms of transportation and housing and schools. I would like to see around 20 to 30 companies come into the area, employing between 200 and 300 people each."

This level of investment would mean about 10,000 new jobs. Banbury would grow to a population of 60-70,000 from its current 41,000, in line with Oxfordshire county's council structure plan, which has focused on Banbury and Bicester, along with Didcot and Witney, as growth points in the county. At this level the towns in North Oxfordshire would not become as large as Peterborough or Swindon.

Mr Douglas Hurd, the Foreign Secretary and MP for Witney, has involved himself in the M40-Cherwell initiative. "I don't think Banbury is going to become like the towns on the M4. It is not big enough. But it is important to take care over the kind of growth. It would be sad if Kidlington becomes absorbed by Oxford," he says.

COMMUNICATIONS

The magnet of the motorway

FOR HUNDREDS of years Banesberie, the Saxon town, was a major crossroads between southern England and the Midlands. Its importance as a wool trading centre made it a communications hub used by farmers and traders.

In later centuries, communications improved – first with the arrival of the Oxford canal and then with the railways – as industry demanded better transport links. For years, communications to north Oxfordshire and Banbury, as it is now known, were updated and renewed to meet the needs of local industry.

This tradition of communications growing in response to industrial development was reversed a little over a year ago with the completion of the M40 between London and Birmingham. Industry is now expected to grow in response to improved communications.

Local politicians regard the motorway as a magnet for new investment and want businesses to migrate into the area. As an incentive, about 300,000 sq ft of new industrial and commercial premises has been built near the M40 and the district council has set up the Cherwell-M40 Investment Partnership to promote the region.

Launching the initiative in London, Mr Grahame Handley, chief executive of Cherwell district council, painted a grandiose picture of the motorway's potential. "Cherwell and the M40 are poised to become the focus of the UK's communications-based industries," he said. The region has already attracted companies such as Alcatel Network Systems and Philips, but the recession has slowed the pace of further investment.

Grahame Handley: 'We know better than the county council'

The council, however, remains committed to promoting light industry at business parks such as the Banbury Cross Business Centre and Bicester's Talisman Centre. It wants to improve access to these sites with a new motorway junction south of Banbury and improvements to the A43 Oxford-Northampton trunk road north of Bicester.

Mr Handley also envisages the M40's first motorway service centre at Ardley near Bicester, which will include a hotel and tourist office. Such proposals and the planning involved have convinced the Cherwell chief executive that the council should take control of highway planning from the county council.

"We'd like to be the unitary authority for North Oxfordshire with our own highway authority," says Mr Handley. "We know the local situation better than the county council."

Cherwell's increasingly ambitious plans for the M40

Continued on Page 2

IN THIS SURVEY

Stewart Dalby sees some signs of economic revival in the region

A first cuckoo in the park

TALKLAND, the cellular communications company owned by France's Compagnie Generale des Eaux, set up in the new Banbury business park last October, becoming its first tenant.

It moved its operation, servicing its mobile phone network from Isleworth in west London, and now employs 240 people. It is seen as an important catch in the drive by Cherwell District Council to gain new investment and to capitalise on the completion of M40 between Oxford and Birmingham.

Other new arrivals include Alcatel Network Systems, which has set up a small operation in Banbury; Philips Car Stereos and Henkel Ecolab, a distributor of chemical products, both of which have gone gone to Bicester.

North Oxfordshire is largely agricultural, undulating countryside with three small towns and lots of pretty villages. In Banbury, the main town, with a current population of 41,000 and a catchment population of 120,000, there are several multinational manufacturing concerns. By local standards, they are large employers.

They include US-owned Kraft General Foods, British Alcan Aluminium, part of the Canadian Alcan Aluminum group, and Mannesman Demag, the UK subsidiary of the German engineering company. There are also some distribution companies, including the EPS group, which employs 600 people.

Elsewhere, some 1,200 are employed directly and indirectly at the Ministry of Defence Ordnance depot in Bicester (population 20,000), making the town an important service centre. Upper Heyford, the US airbase, is home to 1,400 US servicemen and their families.

Alcan Aluminium is the Canadian parent of British Alcan Aluminium. The British company was first established in Banbury as Northern Aluminium in 1931. The international company has been suffering in the past year because of a fall in the price for aluminium. The UK arm has not been immune from the problems. British Alcan Enterprises, which forms part of the UK subsidiary, employs 700 people in Banbury. The company feels North Oxfordshire is a good place from which to operate.

Dr Mike Sporton, managing director of Alcan International, a related company, which employs 176 in a laboratory in Banbury to develop group products, points to its central position.

"On the one side there is Heathrow, and a lot of the business is international. On the other side is Birmingham University, which is very strong in materials sciences with an important interdisciplinary research centre."

Mannesman Demag, which makes travelling cranes and conveyor systems, employs 260 people, and set up in Banbury in 1969, encouraged partly by the promise of a motorway in the near future and partly by the availability of development assistance.

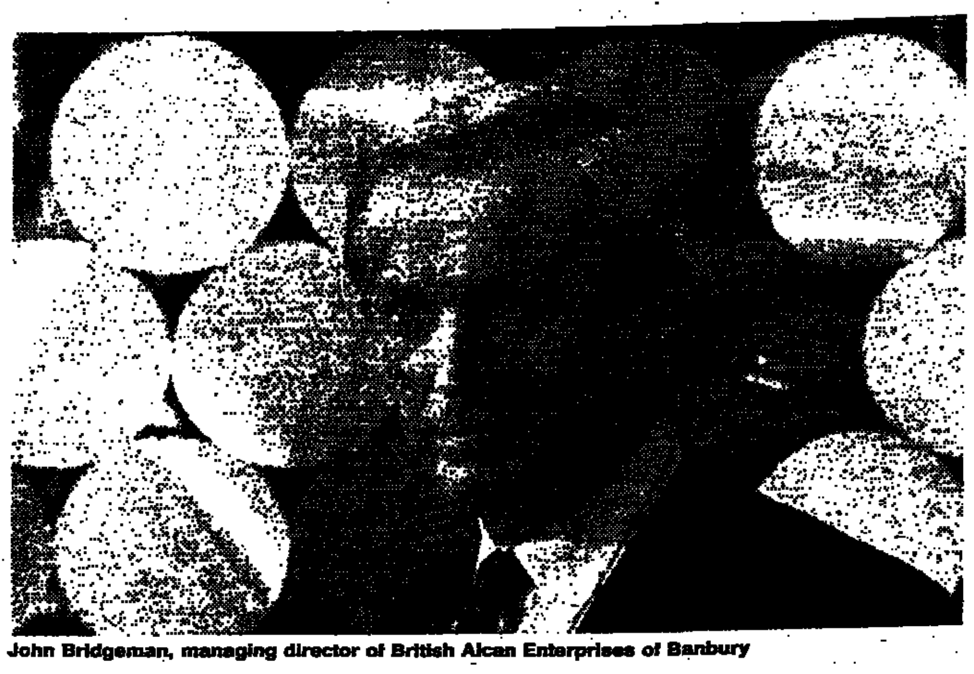
"All other things being equal, we probably would not choose Banbury now. Our customer base was in the south, but it has moved further north. But we run a very successful business from here. We have a good, loyal workforce and own the property freehold," says Mr Matthew Houston, the company's managing director.

Mr Houston does not see other heavy manufacturing concerns moving into the area, but he welcomes the idea of smaller technological companies arriving. Throughout the area there are already several engineering concerns with an emphasis on specialised engineering in motorsports.

Mr Richard Pineo, the marketing manager of EPS, which describes itself as logistics services company, sees North Oxfordshire as a natural area for distribution companies. It has been in Chipping Warden near Banbury since 1948 and now occupies a 64-acre site on what was once a Second World War airfield.

Besides warehousing, the company, which has a turnover of £25m, offers production and distribution in partnership with individual companies, including assembly, customisation, repair, refurbishment and testing.

"Companies always knew the M40 would be developed at some stage. The completion of the M40 means this area is ideal for companies like ours," Mr Pineo says.


John Bridgeman, managing director of British Alcan Enterprises of Banbury

Cherwell District Council wants to encourage more companies like Talkland to locate in the area. Mr Rob Lee, the council's economic development officer, says the strategy is to attract service companies which will create jobs. He also feels that, once the economy picks up, distribution and warehousing concerns which are not particularly labour-intensive will want to be close to the motorway.

Unemployment in Banbury has risen to 9 per cent (about 2,000 unemployed). It is 6.6 per cent in Bicester and 8.2 per cent in Kidlington which is considered as part of the Oxford travel-to-work area. The ordnance depot in Bicester is apparently not scheduled for cuts, but a rundown at the US base has begun.

Mr Lee estimates that around 15 per cent of the servicemen will opt to stay in the area because they have married locally, but there could still be around 600 job losses.

Cherwell feels that the capture of Talkland is a good start in its drive to boost its economy, and the company itself is pleased with its move, which attracted more than 1,200 applications for the 240 jobs the company created.

Mr John Barton, operations director of Talkland, says: "We received a very warm welcome from the local authority. Among other things, they were instrumental in setting up a training programme with the North Oxfordshire College for our staff.

"When we decided to move from Isleworth, I looked at a lot of places, including Dudley and Milton Keynes. In the end, I decided I preferred the building in Banbury. It was also cheaper than Milton Keynes."

Mr Philip Dobby, managing director of Alcatel Network Systems, also looked at a number of sites.

"We needed to be close to London, because the south-east is a major customer base for telecommunications equipment. We have a small sales office in London. When it came to a servicing and repair centre I looked at various places including Milton Keynes and Bracknell, and the Oxford science park.

"In the end, we chose Banbury because we wanted engineers we took on to be able to afford houses in nice surroundings. Also, this office is cheap – less than £15 a sq ft. It is in the town and I feel we are in on the ground floor of the area's expansion."

The magnet of a motorway

Continued from Page 1

corridor have irritated county planners, who have reminded district councillors that the M40 is regarded by the government as "a centre of movement, not a centre of growth".

Mr David Young, director of planning and property services at Oxfordshire county council, says Cherwell is too small to take on responsibility for highways and criticises moves towards rapid development of the region.

Environmental concerns and fears of traffic congestion persuaded the county to oppose Coca-Cola's planned plant at Banbury. Mr Young hints that any similar developments encouraged by the district council could be blocked.

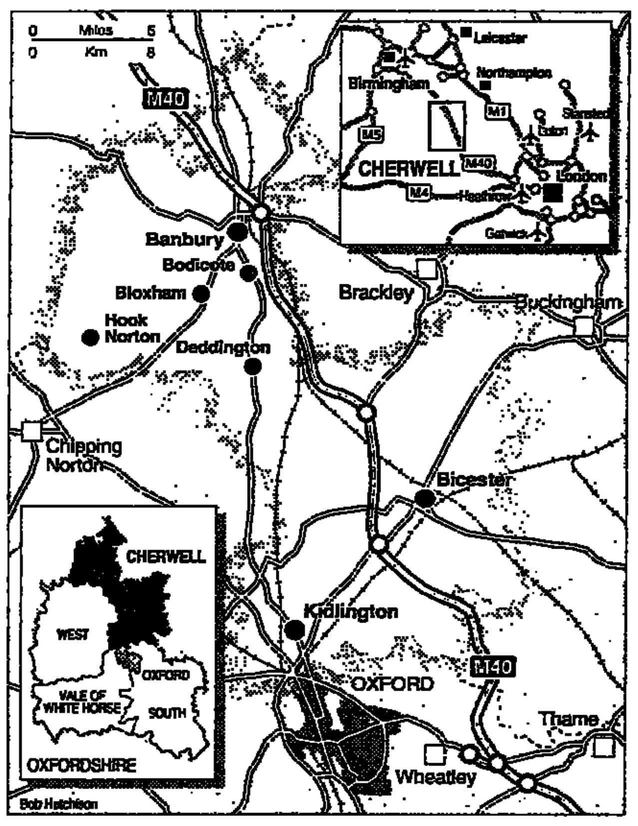
"This motorway is not designed for junction development and any plans for a new junction are unlikely to win government approval."

The county council's concerns have been echoed by planners at South Northants Council who have criticised Cherwell for not telling them about their junction proposals.

All local politicians, however, welcome the M40 as an important artery for through-traffic between the south-east and the Midlands. It has eased congestion on secondary roads and diverted freight traffic away from rural villages.

For its part, the Freight Transport Association (FTA) says although journey times are now faster, "there is considerable commuter use in North Oxfordshire which leads to congestion at peak times".

The number of heavy goods vehicles using the motorway would be reduced, it adds, if rail freight offered a better service to industry. The FTA says there would be a greater mix of road-rail haulage if British Rail invested in a new freight terminal south of Birmingham to handle Channel tunnel traffic.



At present, rail freight through North Oxfordshire is dominated by bulk goods such as coal and motor vehicles shipped between the Midlands and Southampton. Diesel-hauled trains rumble through Banbury and Bicester but rarely stop to load or unload in the region.

These diesel services should be replaced and the twin lines to London via Oxford and High Wycombe electrified, according to the Transport Users' Consultative Committee. The watchdog says existing rail services for both goods and passengers are sub-standard.

The group claims North Oxfordshire will not benefit from the Channel tunnel without rail electrification. Its criticisms are flatly rejected by British Rail.

Electrified services from Marylebone and Paddington are unlikely even to be considered until well into the next decade. BR, meanwhile, is investing £360m on new rolling stock and improvements to track and stations on the Oxfordshire routes. Journey times to Marylebone have been cut following the introduction of new Network Turbo trains.

As a communications corridor, however, the region's rail routes are of minor importance compared with the development of the M40.

The motorway has successfully attracted new investment, though not on the scale originally envisaged, and it has improved access to airports at Heathrow and Birmingham and to the south coast seaports. This six-lane road is regarded by Cherwell district council, at least, as the catalyst for the region's prosperity. The council's critics say Cherwell is in danger of overdosing on the M40's potential and point out that many of the business parks remain unfilled.

Mr Handley is unfazed. He regards the M40 as the means "to change local towns like Banbury, Bicester and Kidlington. We want the area to benefit and we want developments that will create jobs.

"The M40 is changing the road geography of Britain."

Tim Burt

Stewart Dalby and **John Griffiths** spotlight one of the region's success stories

The Silicon Valley of motor sport

NORTH OXFORDSHIRE has a flourishing specialist engineering industry based on motor sports as a pillar of its economy.

Partly, this is because of the proximity to racing circuits such as Silverstone, just across the border in Northamptonshire, and Donington Park further north. But at least as important, according to Mr David Richards, managing director of Prodrive, is its closeness to Birmingham and Coventry, the traditional automotive centres in the Midlands.

Motor sport makes a positive contribution to the UK trade balance of at least £300m a year, according to Mr Max Mosley, president of Fisa, the Paris-based world governing body of motor sport.

At least three-quarters of the purpose-built racing cars in use worldwide come from a few dozen small factories in the region. Mr Mosley himself is a former leading light of March, the Bicester-based racing cars concern.

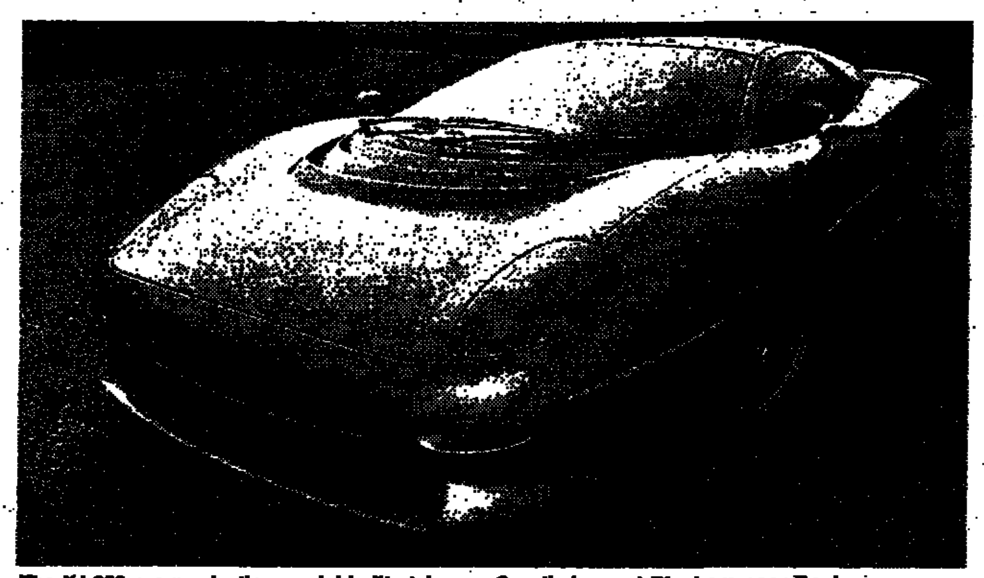
Indeed, virtually all the big Japanese carmakers, now using motor sport as a major part of their marketing armoury in Europe, have their competition cars developed not at their own factories but in these rural English outposts. As for Mercedes' world championship sports cars, the chassis were developed not far to the north-east of Bicester.

Three-quarters of the world's racing cars come from factories in the region

Almost every car taking part in North America's most famous motor race, the Indianapolis 500, throughout the 1980s, was designed and built either by March at Bicester or Lola, further north in Huntingdon.

According to Mr Jonathan Ashman, marketing director of the RAC Motor Sports Association, the governing body of British motor sport, "the UK has become the Silicon Valley of world motor sport."

That partly explains why, hanging on the wall of Reynard Racing Cars, also at Bicester, is a Queen's Award for Export. Mr Adrian Reynard, its 40-year-old chairman, and Mr Rick Gorne, managing director, control the world's single biggest purpose-built race car business.


The XJ-220 pre-production model built at Jaguar Sport's base at Bloxham near Banbury

Similar awards are to be found at March and, further south at Didcot, at the grand prix team headquarters of Mr Frank Williams, employer of Nigel Mansell, the racing-car driver.

Many of these small companies, often to be found in the back roads of Oxfordshire and neighbouring counties, are a breed apart.

Volume car manufacturers spend years and millions of pounds developing items such as gearboxes and produce them in runs of 100,000-plus to make them viable. March, Hewland Engineering, Banbury-based Prodrive and others think little of taking, say, a complex gearbox from first design to final production in a few months and will happily supply as few as 20.

However, even though recession has reached the industry, motor sport in North Oxfordshire stands to benefit from the more structured shape that its leading entrepreneurs, such as Mr Tom Walkinshaw, TWR's chairman and Silverstone controller, appear bent on giving it.

At the 720-acre Silverstone complex, for example, there are plans to expand an industrial park, which already houses nearly 50 units. The intention, says Mr Walkinshaw, is to "build up Silverstone as a hub for the British motor industry".

Mr Richards readily acknowledges that Prodrive is not, and does not want to be, in the volume business. "We might make 10 cars in a year. We therefore need to go to specialist component manufacturers who are prepared to make fewer than 10 gearboxes for example. Such operators can be found in the Midlands."

Since moving into its 30,000 sq ft factory right on the M40 in 1988, Prodrive has expanded its turnover fourfold up to 1991. In 1992 it is looking for turnover of £20m.

Currently it employs 90 people. That figure should rise to 130 when the company completes its expansion into a 14,000 sq ft factory next door to its current site.

Mr Richards says he had difficulty in finding the right kind of engineers in the immediate vicinity but that qualified people are happy to travel from Birmingham or Coventry.

He says that North Oxfordshire is the best place to be for a motor sports company. Apart from the closeness of suppliers and specialist parts manufacturers, he reckons costs are only two-thirds of what they would be in West Germany.

Mr Bill Donnelly, sales and marketing director at JaguarSport, a joint company formed by Jaguar and the TWR Group, agrees that the closeness to the automotive industry in the Midlands is important.

Costs are reckoned to be only two-thirds of what they would be in West Germany

"We might need some custom-designed part for just three cars. Obviously, a company used to dealing with the volume producers would not be interested in this kind of order. But there are suppliers we can contact."

The TWR group has its own main UK base in Kidlington. In the 1970s and 1980s it was involved in racing development programmes for BMW, Mazda, Rover and Jaguar with the XJS model.

Since JaguarSport was formed in 1988, one its activities has been to make "sports" or road versions of its racing cars.

Fifty models of its feted XJR 15 have been made and all were sold at £500,000 each. It is currently making 350 of its XJ-220 model as a road car and these will all be sold, apparently at £350,000 each. JaguarSport employs around 90 people at Bloxham.

TWR has also diversified into other forms of specialised engineering in the motor trade. It has consultancy engineering companies on the Continent, for example, and has retail dealerships in Jaguar, BMW, Porsche, Mazda, and Nissan. It employs 500 people throughout Oxfordshire and at least 1,000 worldwide.

Meanwhile Reynard, which makes between 200 and 240 single-seaters a year, mostly Formula Fords, Formula 3, F3000 and Formula Vauxhall Lotus, is venturing for the first time this year into grand prix, having already produced a prototype.

The company was started in its present form in 1982, with a turnover of £250,000. In 1990, before demand started to be hit by recession, it produced 270 racing cars for a number of teams from its three factories in Bicester and Brackley and had a turnover of £10m.

Mr James Linton, sales director, says: "Being close to Silverstone is part of the reason we are here. But it is also important to be in the heart of the automotive industry.

Ms Fiona Miller, media manager for TWR, estimates that outside Formula 1, around 50 per cent of the world's racing carmakers have some kind of presence in Oxfordshire.

FINANCIAL TIMES
REGIONAL SURVEYS 1992

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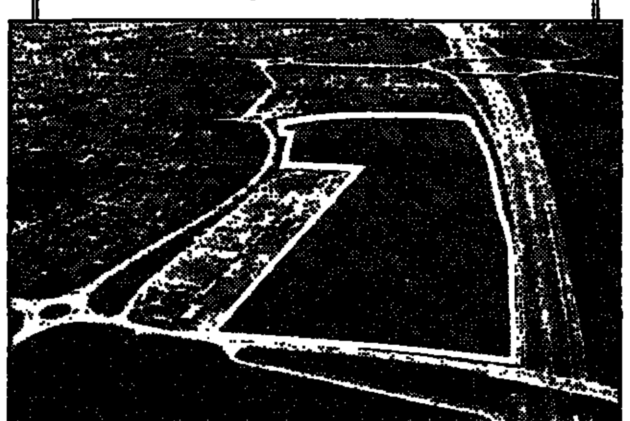
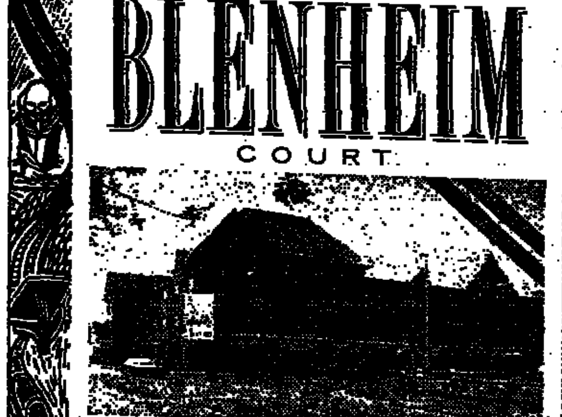




Stewart Dalby looks at property development

Vacant possessions

THE much-predicted burst of property development along the newly-opened stretch of the M40 between Oxford and Birmingham has still largely to take place.

Cherwell District Council, which covers most of the area through which this segment of the motorway runs, estimates that before the final part was opened in January last year some 300 acres of land along the road had received planning permission for industrial and commercial properties, but not housing or retailing.

This broke down into 166 acres in and around Banbury, 94 acres around Bicester and bits and pieces of land spread throughout the rest of the district including Kidlington.

Assuming a low density of 20,000 to 25,000 sq ft an acre, which is the average for a B1 light industrial or office development with landscaping and car parking, this would mean at least 1m sq ft of commercial and industrial property or around a third of what could be built along the entire length of the M40 including Oxford and High Wycombe.

It might also mean more than a doubling of the amount of new office and light industrial space available north of Oxford. The Cherwell local plan says if all the land with planning consent were to be developed around Banbury alone, it could generate between 5,725 and 11,450 jobs.

Many of the consents have been for B1 developments, but there are also some for B8-type development – warehouses or what property developers call sheds. There are few B2 consents for heavy industry.

In terms of space taken up, B1 developments tend to be low density but more labour-intensive. B8 projects are usually the reverse.

Excluding refurbishments and conversions, there has been only about 300,000 sq ft of new commercial and industrial property built between Oxford and Birmingham.

The main developments in and around Banbury are the Banbury Business Park, which is three miles outside the town at Adderbury. Phase one of this B1 project amounts to over 120,000 sq ft and has been developed by the Church Commissioners for England.

In Banbury itself Blenheim Court, a modern office block of 37,000 sq ft, has been built by Blenheim Land with the Alliance and Leicester, and Waterperry Court, another Blenheim Land development, in conjunction with Heron Hi-Tech. This has 15,800 sq ft of space.

In and around Bicester, the 130,000 sq ft Talisman Business Park has been completed by the developers Scottish Metropolitan. Outside Kidlington, Wilson Connolly has built 65,000 sq ft in the first phase of the Oxford Spires business park, which could eventually spread over 15 acres. Many of these developments have yet to find tenants.

Banbury Business Park considers itself lucky that Talkland, a cellular communications group, has taken 34,000 sq ft of space. Pearl Assurance has taken a smaller unit and two others are under offer.

But none of the suites at Blenheim Court have been let, nor have those in Waterperry Court. The offices on the Oxford Spires estate have also to find their first tenants.

It is not so much a question of price. Clients are wary of disclosing what they paid for premises. But Mr John Barton, operations manager of Talkland, said he paid less than £15 a sq ft for the space on the Banbury Business Park.

That is cheaper than, say, Milton Keynes where B1 type property fetches £16 a sq ft.

Blenheim Land is looking for rents of £18.75 a sq ft for suites at Blenheim Court. "The offices are particularly well appointed. This rent compares well with similar quality properties in Oxford or Birmingham where you would expect well over £20," claims Mr Marcus Hoskins, a director of the Oxfordshire-based developer.

Until the vacant new-build is let, it seems unlikely that further sites will be developed at least on a speculative basis.

Thus, two sites in Banbury – one of six acres with planning permission owned by Wimpey and another of five acres owned by Standard Life, the assurance group – await a better economic climate before sprouting buildings.

Outside Banbury on the motorway, a 21-acre site, owned by local landowners, has planning consent. An eight-acre site of mixed ownership, including the Banbury cricket club, has permission for a hotel and other leisure uses. A further 30-acre site is owned by Amec, with consent for both B1 and B8 use.

Outside Bicester, there is a 66-acre site which could become the Bicester Business Park. The developer, London and Metropolitan, owns 35 acres of this, on which it is possible to erect 750,000 sq ft of business space. There are no specific plans at the moment, but Mr Martin Conway of Chesterton, the estate agent acting for the developer, says it is considering the possibility of non-speculative design-and-build B8 warehouses.

If action is taken to develop these various sites, does this mean that the M40 above Oxford will become a ribbon of property development?

The answer is: probably not. Mr Donald Jelfs, the chairman of Cherwell District Council, says: "We have taken good care to ensure that the area is not overdeveloped. We have not given too many planning consents in the towns and the developments on the motorway are in clusters rather than strung out along its length."

Tim Burt on prospects for the tourist industry

Stay here, but go there

CHARLES I occupied Banbury after the battle of Edgehill in 1642. The town supported Parliament, but the castle sided with the king.

The difference of opinion, which prompted the king to move his headquarters to Oxford, cost Banbury most of the monuments which would have made it a tourist centre. The Puritans pulled down the Banbury Cross mentioned in the nursery rhyme and the castle was destroyed after King Charles was executed.

Subsequent generations showed no more regard for their historic sites. Banbury's medieval church, known as "the cathedral", was demolished in 1790 and most of the timber-framed houses were engulfed by fire.

With few major sites of their own, Banbury and the nearby towns of Bicester and Kidlington have developed a tourist industry which relies on attractions outside the immediate district. The towns are marketed as pleasant places to stay for those whose main destination is Stratford-upon-Avon, Oxford or Warwick.

The lack of accommodation in Oxford and Warwick is seen by Cherwell district council as a good opportunity for the region's hoteliers. The council maintains that there are attractions worth visiting, including the Civil War battlefields and stately homes such as Broughton Castle.

Certainly, there is no shortage of hotel rooms. Occupancy rates have fallen by over 10 per cent since 1989, a survey by the Thames and Chilterns Tourist Board shows. The number of tourist trips to the region declined by 250,000 in the same period, says the survey.

The downturn has forced the Banburyshire Tourism Association to close. Mr Michael Nugent, manager of the Whateley Hotel in Banbury, says the association members were having to spend so much time trying to keep their own businesses afloat that they couldn't do anything for tourism.

Concerned at the fragile state of the tourist industry, the council has adopted a three-pronged strategy to attract more visitors to the Cherwell region.

First, its brochures continue to publicise attractions outside the area to promote Cherwell as an alternative place to stay. These non-Oxfordshire attractions include George Washington's ancestral home in Northamptonshire and the Cotswolds to the south-west.

Secondly, the council wants to attract more visitors on day trips and weekend breaks. Among its rural attractions, the council lists the Oxford canal, a popular waterway for pleasure boats, which it calls a "linear park".

But weekend breaks and promotional literature pale into insignificance against the third area where Cherwell sees tourist potential: business trips.

With direct motorway access to London and Birmingham, North Oxfordshire wants to attract more business visitors. "We are well placed for the conference trade," says Mr Grahame Handley, chief executive of Cherwell district council. Confident of an upswing in business tourism, the council has given planning consent for two new hotels near the Banbury junction on the M40 and consent for one near Bicester.

North Oxfordshire's existing hotels are not waiting for an upturn before pursuing conference business. Of the 21 hotels listed in the district council's tourism brochure, 20 already cater for conferences. They range from the three-bedroom Duke of Cumberland Inn at Deddington, charging less than £15 a night, to the 74-room Whateley Hotel offering facilities for up to 120 people and a room rate starting at £77.

At the top end of the scale, Cornbury Park is flourishing. A large private estate north of Woodstock, it includes Britain's largest remaining royal hunting forest. Businessmen can book a day's shooting for up to seven marksmen. Most "corporate days" end with 400 birds in the bag at a total cost of about £7,600.

But Cornbury Park's formula is unlikely to be taken up elsewhere in North Oxfordshire. "We are not in that kind of business," says Mr Handley. "What we want is a tourist industry which caters for the hotel and conference requirements of other businesses.

"But in the end we have to face it: tourism is not a major industry in this area."

AGRICULTURE

Farmers threaten exodus

MOVES to cut European Community aid to Britain's farmers could lead to an exodus from the land, prompting a serious decline in rural areas such as North Oxfordshire, according to the National Farmers' Union (NFU).

Farmers in the region complain they have already been hit hard by the recession and warn that the EC's so-called MacSharry II package of agricultural reforms, involving large cuts in the prices paid for milk, cereals and beef, could drive many of them out of business.

After several months of falling or static producer prices in agriculture, the reforms planned by Brussels have added to the farmers' gloom. In North Oxfordshire the prognosis has been made worse because it has a high concentration of the most vulnerable farming sectors: small dairy holdings, beef farms and mixed pigs and poultry.

The region's ironstone soil, meanwhile, is not fertile enough to support industrial-scale cereal farming and the undulating geography is too steep for the latest machinery used in crop production.

Mr Nicholas Turner, chairman of the NFU branch in Banbury, is pessimistic about farming prospects. "In North Oxfordshire we don't do anything very well. We don't have big fertile fields like East Anglia and, unlike the hill farms of Wales, we don't qualify for aid as a disadvantaged area.

"The land won't give you fantastic yields and yet our production costs for machinery and fertilisers are higher."

In a bid to cut costs, many farmers in the area have decided to share machinery, land and buildings. But these measures have pushed up rural unemployment and led to a wholesale contraction in the farming community.

"We've come to the stage where people cannot tighten their belts any further," warns Mr Turner. "If Mr MacSharry's reform plans go through, many of our members will abandon farming."

These NFU members are disillusioned with European quotas, agreed under the Common Agricultural Policy, which limit the amount of produce they can sell. Dairy farmers claim they have suffered most under the production ceilings and many have switched to beef farming.

Livestock should be a profitable sector for the region, which boasts ideal free-draining grassland among the 48,000 hectares under cultivation. But prices are depressed and cattle-rearing is in danger of becoming uneconomic.

Most of North Oxfordshire's beef passes through Banbury market, one of the largest in Europe, where up to 670,000 head of stock are sold each year. Prices, however, are the same or less than they were 10 years ago and Mr Jim Watson, managing director of Midland Marts which runs the market, says the beef trade is heading for a long-term recession.

Mr Watson also blames the recession for hampering expansion of the market. "Banbury has been hit as hard as anywhere else and we have had to make a number of economies.

"Nobody examined their costs as they should have done during the 1980s. We didn't and we've had to cut staff."

The market, however, has been insulated from the worst effects of the agricultural downturn by two developments: the EC's decision not to cut prices paid for sheep, and the opening of the M40 motorway.

The market sells more sheep than anything else and has become the main source of slaughter stock for Britain's wholesalers and export customers. At busy times of the year, Banbury's sheep trade has a turnover of more than £1m a week, with most of the stock being exported to France. "Sheep sales are doing better than for some years," says Mr Watson. "But the same cannot be said for cattle because feeding costs have risen sharply."

The M40, meanwhile, has transformed Banbury's links to London and the south-east. Exporters using the M2 and M25 can now drive from Dover to Banbury without leaving the motorway network. "It has helped tremendously. We've had more business as a result," adds Mr Watson.

He has no doubt whom to blame. "The commissioners aren't doing their job. We should go to Brussels and shake them up"

But in the local area, the upturn in sheep sales has not had a major impact. Only 16 of the 614 farms in the Cherwell district are devoted exclusively to sheep, according to the Ministry of Agriculture and Fisheries, while 102 farms rely on less stable dairy and beef incomes.

Faced with increasingly fragile profits from traditional sectors, many farmers are diversifying into leisure activities. Mr Turner, a tenant farmer for Trinity College, Oxford, has abandoned dairy production in favour of beef, but he hopes to boost his income further by building a £50,000 golf driving range.

"More and more farmers are looking at leisure schemes like go-karting and golf courses," he says. "There are also a lot of barn conversions as farmers sell off buildings to raise capital."

Farmers who cannot sell buildings because they are tenants or those who do not win planning permission for leisure projects are finding it difficult to survive. They say the problems have been exaggerated because banks are reluctant to extend loan facilities. The prospect of subsidy-cutting EC reforms means many farms face an insecure future, making some of them a bad risk for banks.

"The survival rate of farms is linked to how much they can borrow," says Mr Turner. "Farmers are easy targets for banks to constrict, and the banks are making arbitrary decisions on loans."

It is a view that is echoed by Mr Watson at Banbury market. He claims the lenders are "turning the screw on farmers when they should be helping them".

Complaints over banking policy and the effect of European reforms are expected to be aired again tonight, when farmers meet for the NFU's monthly meeting at the Old School and Manor Hotel in Bloxham. Mr Turner has no doubt who is to blame for the problems.

"We are all suffering because the CAP has failed. It was supposed to give farmers a standard of living equal to industrial counterparts. But farm incomes have declined 14 per cent in the past year.

"The European commissioners are not doing their job. Maybe we should go to Brussels and shake them up a bit."

Tim Burt

APPOINTMENTS

Fitting the bill on the Wall

London Wall Members Agency, one of the biggest members' agents at the Lloyd's of London insurance market, broke the mould this week by appointing an accountant, John Moir, to be its new managing director. He will also join the board of London Wall Holdings.

In the past, members' agents, which handle the affairs of Names have tended to appoint underwriters to this type of position. Robin Warrender, the chairman, says he wanted someone with administrative and managerial skills.

Moir, now 55, fits the bill. In the mid-1980s he was recruited from Arthur Andersen by former chief executive Ian Hay Davison to head the finance and market services department at Lloyd's. Subsequently he has worked with other agencies at Lloyd's.

Michael Doughty is also appointed to the board of London Wall Members Agency.

■ **Mike Dunn**, who previously worked for NRG London Re for 12 years to 1986, has been appointed md and chief executive of NRG VICTORY REINSURANCE in place of John Butcher. He joins from Kininmonth Lambert's international division where he was md.

■ ROYAL INSURANCE, the UK insurer, has recruited another senior manager from outside the insurance industry: Jon Boyle is joining as group treasurer. Boyle was previously director of treasury at Salomon Inc's British mortgage arm The Mortgage Corporation until last December.

■ **Hugh McCoy** is appointed chairman of H CLARKSON; Tony Klima, Neil Freeland and Derek Hagger will retire in March.

■ BAIN CLARKSON Financial Services has appointed Jeff Brown, John Holland, David Hughes and David King directors in its newly-created employee benefits division. Ralph Bevis has been appointed to the board of Bain Clarkson Financial Services.

■ **Nicholas Rowe**, currently assistant company secretary of British Airways, is appointed company secretary of CE HEATH.

■ **Maureen Purdie** has been appointed SEDGWICK Group's insurer security director.

■ **Malcolm Kerr**, sales and marketing director of Albany Life Assurance, is appointed to the board of its parent, MET-LIFE (UK).

■ **Robert Clements** and **Philip Brown Jnr** have been appointed directors of CT BOWRING & CO; Michael Bannon, Jeremy Bloom and Simon Gibb directors of BOWRING AVIATION; and Andrew Cater, Paul Neale and Alan Smith directors of BOWRING MARINE & ENERGY.

■ Iain Robertson is moving from County NatWest, where he is deputy chief executive and group finance director, to Royal Bank of Scotland, where he will be managing director of the corporate and institutional banking division, succeeding John Barclay who recently became deputy chief executive.

This means that the Royal Bank will now have two former chief executives of the Scottish Development Agency in its top ranks. George Mathewson, who has been Royal Bank's group chief executive since January, left the SDA for the Royal in 1987 and was succeeded by Robertson, his close associate at the agency. Robertson left the SDA in 1990 shortly before the government turned it into Scottish Enterprise and moved to London to join County NatWest as group finance director. Now Mathewson has Robertson under his wing again. Robertson will stay in London.

Robertson, a tall, terse man, originally trained as a chartered accountant with Peat Marwick but spent much of his career in the civil service before running the SDA's Locate in Scotland division. He has been in his present post at County NatWest since last July.

■ AEGIS Group has appointed Thierry Vial Collet, 46, an executive director. Vial Collet joined Aegis last October, taking up the post of chief executive of Carat, Aegis's powerful European-wide media buying subsidiary.

A marketing specialist, he was chief executive of Henkel France immediately before joining Carat.

■ **Derek Hawkins**, formerly finance director of Davy Corporation, is appointed director of corporate finance at WPP Group. Chris Coles, formerly director of group treasury, is returning to SG WARBURG.

■ **Stephen Hodge** has been promoted from deputy to group treasurer of SHELL INTERNATIONAL PETROLEUM on the retirement of Michael Harvey.

■ **Colin Drummond**, currently chief executive of Courtaulds yarns division, is appointed director of development at SOUTH WEST WATER.

■ **Michael Derbyshire** has been appointed group md of WHITECROFT.

CONSTRUCTION CONTRACTS

Dry docks scheme in Bahrain

JALAL COSTAIN WLL has been awarded a contract worth £6.4m for civil works for two floating dry docks in Hidd, Bahrain, by the Arab Shipbuilding & Repair Yard (ASRY).

Four reinforced concrete mooring dolphins, each weighing about 2,500 tonnes, will be precast nine kilometres away from the site on a barge moored at a yard in North Sitra. When the dolphins are half finished, the barge will be transferred to ASRY, where the 1,200 tonne structures will be lifted off the barge, floated in the water and completed. They will then be sunk in position and the mooring "furniture" added to accommodate the floating docks.

At the same time, 135 precast concrete blocks, each weighing 100 tonnes, will be cast at Sitra, transported by barge to the site and laid on diver-prepared foundations to create a jetty pier, thus providing access to the floating docks.

The project also includes landfill of 210,000 cu metres and rock armour slope protection, on which dock buildings and facilities will be constructed.

Jalal Costain WLL is 49 per cent owned by Costain Engineering & Construction.

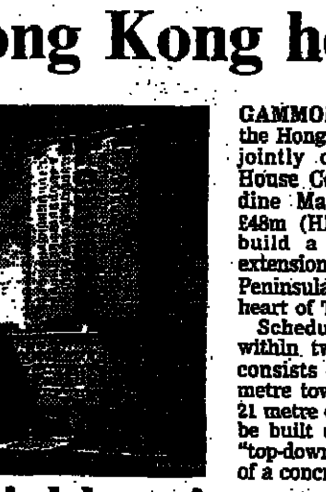
Motorway project

A joint venture, comprising **STENT FOUNDATIONS** and **CEMENTATION PILING & FOUNDATIONS** has won the main piling sub-contract package to be carried out on the M4 at the Bryngas Tunnel and A4042 Malpas Road relief scheme for Amey Construction.

Stent Cementatation is carrying out trial piling with a view to completing a large proportion of the work by the spring.

The £4.5m project is being supervised by Sir Owen Williams and Partners.

Hong Kong hotel development



GAMMON CONSTRUCTION, the Hong Kong-based company jointly owned by Trafalgar House Construction and Jardine Matheson, has won a £48m (HK$655m) contract to build a multi-storey tower extension *(pictured left)* to The Peninsula Hotel, located in the heart of Tsim Sha Tsui.

Scheduled for completion within two years, the project consists of a 32-storey 116 metre tower above a five level 21 metre deep basement. It will be built using the time-saving "top-down" method. Consisting of a concrete frame clad with a panelised curtain wall system, the new tower will be joined at its lower floors to the existing building. The contract also includes all the services and internal finishes.

Gammon Construction has undertaken a series of projects at The Peninsula Hotel over the past few years. They include some additions and alterations completed last year as well as foundation work for the new extension. Although access to the site will be difficult, the hotel will remain open throughout the construction period.

Social housing programme in Croydon

MJ GLEESON GROUP's southern construction division has won a £9.14m contract for a mixed development of social housing, associated facilities and infrastructure on 12 acres of former railway sidings at Davidson Road, Croydon.

For a six-strong consortium led by South London Family Housing Association, the scheme will take 21 months to complete.

Gleeson will design and build 216 two,three and four-bedroom houses – five of which will have wheelchair units – together with seven one and two-person flats. Some 70 per cent of these will provide rented accommmodation, with the remainder offered for shared ownership.

As part of the development, Gleeson will also design and build two hostels and a shop. Each hostel will have six independent units of bedroom and kitchen, as well as communual dining, lounge and play rooms. Additionally, to alleviate flooding that occurs regularly in the area, Gleeson will pipejack a 1.7 metre diameter flood relief sewer underneath the nearby railway line.

The other members of the consortium are Croydon Churches, Tower, Croydon Peoples and Crystal Palace Housing Associations, and London & Quadrant Housing Trust.

Refurbishing Leicestershire classrooms

LAING MIDLANDS has won two contracts worth nearly £5m.

The company is refurbishing classrooms at the Leicester Newarke School, which will become the Fullhurst Community College. The contract, worth about £2m, was awarded by Leicestershire County Council.

The project involves refurbishment of two-storey classrooms, a hall and free standing timber classroom, construction of three two-storey classrooms and a single-storey extension. Also included are drainage, car parks and a ramp for the disabled. Completion is scheduled for April 1993.

At Keele University, Laing Midlands is responsible for the design and construction of two three-storey blocks of student accommodation comprising 181 student flats and a wardens flat.

The £3m project will provide a brick and block superstructure, precast upper floors and tiled roof. Completion is scheduled for November.

Kwiksave's expansion on Merseyside

Warwick Group Construction, the main contractor, has appointed Burton-based **CONDER STRUCTURES**, the superstructures division of Conder Group, to design and erect the superstructure for several new Kwiksave stores, including the steel frame, cladding and roof purlins.

Features on some of the buildings included lightweight simulated roof tiles and a mansard arch - a hallmark of a Kwiksave store.

The four new Merseyside stores are at Litherland, New Ferry, Wallasey and Bromborough and are all currently at varying stages of construction.

In Newport, south Wales, Conder Structures' Bridgend office has also been responsible for the design, fabrication and erection of structural steel and cladding of Kwiksave's 11,542 sq metre multispan distribution warehouse. Kwiksave's original warehouse had been destroyed by fire and the company required a rapid response to avoid the obvious logistical problems that might have occurred. Total value to Conder Structures of all five contracts is about £1m.

Upgrading council housing

HIGGS AND HILL NORTHERN has been awarded two contracts worth £4.8m for the extensive refurbishment of local authority housing developments in Rotherham and Bradford.

In Bradford, the Directorate of Housing and Environmental Protection, City of Bradford Metropolitan Council, has awarded the company a £3.3m contract to refurbish and modernise a large housing development at Sticker Lane.

The project involves the complete upgrading of a development of both three and five-storey blocks of flats. A number of the blocks will be reduced in height from five to three storeys.

Higgs and Hill Northern has also been awarded a £1.5m contract by the Rotherham Metropolitan Borough Council to undertake the external refrbishment of another large housing estate in Rotherham.

The Canklow Housing Estate comprises around 250 dwellings and the work involves site clearance, the construction of new boundary walls, fencing and landscaping. Work is due for completion in mid 1993.

Modernising flats

ROOF has won a £1.7m contract from the London Borough of Tower Hamlets for refurbishing the envelope and all internal finishing of Clare House, a 22-storey block of 130 flats, of which 42 are single bedroom and 88 are two-bedroom.

ARTS

ARCHITECTURE

Building for history

When Sir Charles Barry, the architect of the Palace of Westminster, died in 1860, the *Art Journal* claimed that the new Palace had "given an impetus to the three sister arts of painting, sculpture and architecture they in all probability would have never otherwise received." What is the likelihood of the same words being written today about the important new parliamentary building that was announced last week?

The new building, which is to provide offices for MPs, occupies what must be regarded as one of the most sensitive sites in the capital, on the Thames at the corner of Bridge Street and the Victoria Embankment. It will stand next door to Big Ben and will be an important feature in the townscape of Parliament Square, Westminster and the river.

The site has long been a controversial one. An earlier competition for a parliamentary extension here was won by architects Spence and Webster and they produced a large minimalist glazed box which did not win enough friends in parliament for it ever to be built. More recently a planning study was carried out by Casson Conder and Partners which proposed a parliamentary "campus". This plan, which is now being followed, established a secure perimeter for parliamentary buildings stretching from Bridge Street to Richmond Terrace and from the Victoria Embankment to Parliament Street, necessitating the closure of Canon Row. The first phase of this work was recently completed and includes the refurbishment and adaptation of several listed buildings. The latest proposal is for an entirely new building over the top of the Underground incorporating a new Westminster station that will be a stop on the proposed extension of the Jubilee Line.

The architects for the new Parliamentary building, Michael Hopkins and Partners, were appointed by the Department of the Environment and they completed their sketch proposals in October last year. Since then a great deal of work has depended on the planned development with London Underground of the new Westminster Station beneath the building. Michael Hopkins will also be the architect of this new station.

Big Ben's new neighbour: Michael Hopkins and Partners model for the proposed new parliamentary building on the Thames at the corner of Bridge Street and the Victoria Embankment

Hopkins has almost become the architect of the Establishment. Following his successful stand at Lord's cricket ground in St Marylebone, he has moved on to be the architect for the new Glyndebourne opera house; the new offices for the Inland Revenue in Nottingham (won in competition last week); and the superb, recently completed conversion of the former *Financial Times* building at Bracken House for the Obayashi company in the City. He is also the house architect for the refurbishment of the Victoria and Albert museum.

It is no easy task to design a major public building to stand between Norman Shaw's Scotland Yard and Barry and Pugin's Palace of Westminster; and opposite Ralph Knott's County Hall. It is also a challenge, today, to design something that conveys to the world that it is an important public building occupied by people who may contribute to the history of the nation. Architects and their clients come up against difficult questions about the meaning of architecture, and the language that architecture can or should use to convey values beyond the merely functional.

Sir Charles Barry had what he called his "great idea" to make his new Palace of Westminster a monumental history of England. He was able to achieve this only with the help of the prodigal imagination and decorative and antiquarian skill of Augustus Welby Northmore Pugin (1812-1852). The final result of Barry and Pugin's achievement is one of the most remarkable public buildings in the world and must be seen as the touchstone for any new building that grows alongside it.

Hopkins has understood clearly the logic of Barry's axial plans and designed his new offices around a courtyard. He has also looked closely at the skyline of Westminster and dealt with the mechanical problems of air intake and extract rather in the way that Barry did, by utilising finials and ornamental details as part of the ventilation system. Whitehall is a street of courtyards, almost all of which are invisible to the public. It is presumably only essential security, plus privileged parking places, that prevents the whole of the Government area being an open series of beautiful public quadrangles.

The Secretary of State for the Environment described the site of the new building as "one of the most sensitive sites in the urban world" and the architects' design as "a high class solution". I think it will be a good office building. It will be built of very good materials, using a dark pinkish sandstone (from Scotland) for its load bearing walls and bronze for its roof. The palate is dark, closer to Norman Shaw's Scotland Yard than to the Palace of Westminster. This I am sure is right, as is the decision to treat the form and silhouette of the new building as a separate "palazzo" along the Thames. The elevational treatment, the grid relieved by vertical strips of projecting bay windows *à la* Bracken House, is unremarkable. The curved corner turrets seem to have been inspired by Sir Albert Richardson's treatment of big city blocks. The roof, with all its metal catwalks, is unduly spiky and complex.

For the one £120m it is expected to cost, this should be a very fine modern office building. But as a very major, new public landmark I question whether it is imaginative enough for its important site. It is a cautious marriage of elements from the its more powerful neighbours – an arranged marriage of convenience rather than one sparked into life by roaring romance. Barry did put the history of England into his designs, and was not afraid of the power of art to convey his ideas. Perhaps Hopkins needs a Pugin to add some fire to his cool rationalism?

Colin Amery

Two 'Beauties'

THE CULLEN THEATER, HOUSTON

It must have seemed a splendid idea at the time – and Houston Grand Opera during David Gockley's 20-year directorship, has consistently traded in lively ideas about expanding the repertory, as the company track record shows.

A specially commissioned new 'Beauty and the Beast' opera, *Desert of Roses* by Robert Moran, was to be played in alternation with an updating of Gretry's 1771 *Zemire et Azor*, which has the same theme. Both the new and the old version of the fairytale would have English texts, the *Zemire* (by Marmontel) translated by John Michael LaChiusa, the *Desert of Roses* librettist. Both would be staged by John Dew, the Englishman resident in Bielefeld. The *Zemire* production had originally been devised for that city; the *Desert* is due to make the journey there later in the year.

A plausible package – but this time, alas, Houston's luck in arranging such things ran out, for the wrapping proved both flashy and ill-finished, and the contents, though in themselves by no means valueless, had been injudiciously selected.

Last November Dew gave Covent Garden audiences that wretchedly empty, poorly-warmed-over *Les Huguenots* in modern dress. In similar vein he had conceived of Gretry's lovely, tender, sturdily fashioned *opéra-comique* fable (which Londoners remember from the 1981 Camden Festival revival) as an exercise in pop updating, with the Beast as a rock-singer, Beauty's father a vacuum-cleaner salesman, and other bits and bobs of added Americana.

The taste level was pitched low – so low, in fact, that Gockley (who apparently acquired the staging sight unseen) asked for 11th-hour improvements and amendments. At this point Dew left town, and both shows, still credited to him, were patched together by assistants.

This *Zemire* may have amused those spectators who find the whole notion of opera got up to look like bad television killingly funny – Dew's borrowings from game shows, celebrity interviews and rock spectaculars were of unwavering predictability. But it was still a distressing example of Producer's Patronage – of an audience presumed stupid enough, and a work presumed trashy enough, to need "help" of this kind. Apart from praising the bright-toned Zemire of Diana Amos, and relishing the promise of another young soprano, Kimla Beasley, as her sister Fatime, one is probably well advised to pass over the whole sorry thing without further comment.

Desert of Roses had a lot more going for it. Moran, a 54-year-old American avant-gardist previously best known for his humorous music-theatre extravagances (such his 1971 *Hallelujah* for 20 marching bands, 40 church choirs, organs, carillons, rock and gospel groups, and the entire city of Bethlehem, Pennsylvania), has come to "straight" opera via *The Juniper Tree* (1985), which he composed in collaboration with Philip Glass, and which HGO performed in 1986.

He has stripped his "Beauty" of conceptual posturing, experimentalist pranks, and indeed of all avant-garderie; the score, written for chamber-forces plus delicately used synthesisers, is catchy in what one might call a minimalist-plus vein, with tootling um-cha-um-cha accompaniments (well handled by the HGO music director John DeMain) layered upon harmonies high in sugar content.

Moran writes well for voices, and knows how and where to place his numbers; where he and LaChiusa showed their inexperience was in being seldom able to get to the point, economically and quickly. Both on the comic family scenes – Beauty here has an ugly brother as well as two ugly sisters – and on those of sentiment I found myself itching to wield an editor's pruning shears.

Because of this, and the sweet-toothed idiom, the whole work seemed blander than it should or could have. But maybe the production was also to blame: it was sad that the apt prettiness of the decor (designed by Heinz Balthes) had not been matched by a similar aptness in the direction of the comedy characters – gross clowning is clearly a John Dew trademark.

There were two fine young sopranos to note: Jayne West (Beauty) dewy-fresh and appealing, Stella Zambalis (Woman, a narrator-chorus figure) strikingly rich-toned. About this "Beauty" at least, and for all its imperfections, Houston need feel no embarrassment.

Max Loppert

Jim Caldwell

Patricia Johnson, Jayne West, Heidi Jones and Eric Perkins in Desert of Roses

Shakespeare in Vienna

BURGTHEATER

DISASTER offstage by superstition accompanies openings of *Macbeth* and the Viennese kept the tradition handsomely alive last week. Just after his premier of the play, radical German director Claus Peymann was reappointed intendant of the grand, stuffy velvet-and-gold Burgtheater. On Monday four of its ensemble resigned in protest; the Austrian press compared Peymann to the three witches and accused him of "smearing Austria with the coolness of a Prussian hussar," the row became a national sensation. Austrian Chancellor Vranitzky was forced to comment, but the show played on - to packed houses.

Where else but Vienna, whose stormy relationship with its hallowed institutions, the Burgtheater and the Opera, express at once an intensity of belief in culture and a conservatism unmatched in Europe? The Viennese love to hate the unconventional productions Peymann brings to the Burgtheater. I caught the two Shakespeares in the repertory: the new *Macbeth* and Peter Zadek's *Merchant of Venice*, a hit which, since I first saw it, has acquired the confident gloss of a contemporary classic.

Peymann's long-delayed and overlong production (4½ hours) is the weaker, but it is full of the fun which makes a Burgtheater visit so rewarding. There is a fat, camp witch (Urs Hefti), who dances a melancholic, solo waltz, lifts his skirts, inflates himself with balloon breasts drooping to the knees, and balances on the rim of a giant cauldron; a sexy colleague stirs it with a six-foot spoon, while smouldering up to Macbeth.

Forget the sustained hellishness of a traditional *Macbeth*: every image here is developed, parodied, reversed. Starting with bare boards, no one uses the stage less conventionally than Peymann. Act II takes place in a shaft of light just three feet wide. Bloodstained, frightened, determined, the Macbeths slither and stumble up and down a central staircase. It rises to a loft where a chandelier glows, then fades as dawn breaks, panic sets in, guests tumble over the banisters in shock. At its foot, a trap door is the castle gate; the drunken porter (Gerhard Ernst) sits on it, tells Viennese jokes, is bounced into the air at each insistent knock from beneath: comedy underlies tragedy above.

This is a Macbeth whose clever effects hold the house but have yet to cohere into a powerfully realised vision: I understood the play no better at the end than at the start. Gert Voss, a Shakespearian actor whose refusal to be awed by set speeches makes for a wonderfully relaxed Shylock, is here a confused, too casual Macbeth, a thinker rather than a soldier but a befuddled one.

His lady (Kirsten Dene) also lacks vigour. They share an eerie repertoire of laughs - conspiratorial giggles, embarrassed bellows, mocking, Don Giovanni before the statue guffaws - but never go beyond unease or delusion. Even when Macbeth sees himself in the glass of the last kingly ghost, where fantasy should meet reality, his shriek might sound from a grotesque chamber of horrors as well as from isolation or guilt. "Best not know myself," says Voss, not with the regret of "This is not Lear" or "That's he that was Othello," but as if entertainment, not transformation or self-knowledge, were the name of this game.

By contrast, *The Merchant of Venice* has the best of Burgtheater showmanship allied to a genuinely original re-reading. This production, set on Wall Street, is now compelling as a 1980s period piece, as well as a Shakespeare interpretation. It changed Venetians into Brylcreemed power-dressed yuppies, who slide in and out of a huge chrome lift onto the dealing floor, do work-outs in lunch breaks, and make hard, macho jokes which may happen to be about Jews, or about bonds in pound of flesh.

Voss's aryan Shylock is so integrated that plummy Portia (Eva Mattes) demands of the wrong men: "Which is the merchant here, and which the Jew?" His daughter, Jessica, buys her way into her gentile husband's office knees-up by slinging dollars among the debris of party hats and empty glasses. She is instantly welcomed. And when Shylock loses his case, he struts manfully across the office, like the dealer who flopped on Black Monday: a blip in his career, but not the end.

In shifting the moral core of the play from mercy and tolerance to survival and brazen guts, Zadek both questions the traditional role of Jew as victim and offers social comment. Like a recent Peymann production which satirised Vienna through a scaled-down but lovingly detailed model of the Burgtheater itself, the green copper roof peeping out over a stagey Volksgarten, Zadek's classic vision is a critique of a loveless, money-mad world whose energy is nevertheless attractive. It is a love-hate response. This production has gathered pace since its opening and now zips along breathlessly, its slapstick humour - dealers caught in lifts, runners left out of lifts - bizarre as a video on fast forward, its charm and speed already nostalgic as well as contemporary.

Jackie Wullschlager

Rattle's Mahler 10

ROYAL FESTIVAL HALL

"Towards the Millennium" has reached second base. The celebration of this century's music dreamed up by Simon Rattle and the late Michael Vyner as a joint venture between the City of Birmingham Symphony Orchestra and the London Sinfonietta is this spring exploring the richest of all its decades, from 1911-1920.

Rattle and the CBSO opened the London series on Saturday with a concert they had given in Birmingham two nights earlier: Mahler's Tenth Symphony, sketched in 1911 and given in Deryck Cooke's performing version, was coupled with the work that two years later built upon late Mahler in a surreal, expressionist way, the Three Orchestral Pieces by Alban Berg.

Rattle's steady progress through the Mahler symphonies took in the Tenth at an early stage; it was the first of the symphonies he recorded (with the Bournemouth SO), and he has continued steadfastly to promote its virtues. His account of Cooke's completion is presented without apology, as a natural and fully achieved part of the canon.

There is no over-emphasis of the work's despair; even in the work's most anguished moments Rattle sought out beautiful textures and elegant lines, as if the resignation of the Ninth Symphony had been transmuted into something more positive and consoling.

So even the famous climax of the opening movement was made more striking for its unearthly sound quality than its piled-up dissonances, and the repeated drum strokes of the finale seemed less brutal cut-offs than moments of articulation, redirecting the argument as it careered towards its last affirmation. There may be doubts about some aspects of Cooke's version. (Mine are not concerned with the idiom and continuity of the music but with its length: had he lived might not Mahler have tightened the finale in particular?). It was offered here as a rounded and profoundly compassionate musical journey.

From seats well forward in the Festival Hall, more than close enough to detect any hint of a loose end or scrambled textures, the Birmingham performance was a marvel of unity.

The orchestra's lean, refined string tone appears to gain constantly in expressiveness; the wind playing becomes more and more characterful and secure: the brass in particular had a field day in the Mahler, with vivid, penetrating solos (first horn, trumpet and tuba outstanding). A memorable start, then, to a festival series of immense promise over the next month.

Andrew Clements

INTERNATIONAL ARTS GUIDE
TODAY'S EVENTS

■ AMSTERDAM

Concertgebouw 20.15 Rafael Orozco plays piano music by Liszt,Chopin and Albeniz. In the Kleine Zaal, David Golub, Mark Kaplan and Colin Carr play piano trios by Brahms and Schubert, also Wed. Thurs and Fri: Ken-Ichiro Kobayashi conducts the Netherlands Philharmonic. Sat: Hartmut Haenchen conducts the Netherlands Chamber Orchestra (6718 345)

■ BERLIN

MUSIC

Philharmonie Kammermusiksaal 20.00 Piano recital by Lazar Berman, with music by Chopin and Liszt. Tomorrow: Los Romeros guitar quartet. Thurs: Berlin String Trio. Fri: Kolja Blacher violin recital (West Berlin 825 6160)

Deutsche Oper 19.00 Tosca with Maria Guleghina in the title role. Tomorrow: Die lustigen Weiber von Windsor. Wed: Makropoulos Case. Thurs: Der fliegende Holländer. Fri Die Zauberflöte. Sat: Roland Petit choreography. Sun: Götterdämmerung (West Berlin 3410 249)

Staatsoper unter den Linden 19.00 Rudolf Nureyev's production of Sleeping Beauty, also Sun. Tomorrow: Pelléas et Mélisande. Sat: Falstaff (East Berlin 2004 762)

THEATRE

The Maxim Gorki Theater has Arthur Miller's Death of a Salesman on Thurs and Heiner Müller's Leben Gundlings on Sun (East Berlin 2082 748). The Schaubühne has Botho Strauss' Schlusschor on Wed, Thurs and Sun, directed by Luc Bondy and designed by Erich Wonder (West Berlin 890023). The Theater des Westens has Sweet Charity, the musical by Neil Simon, Cy Coleman and Dorothy Fields, daily except Mon till April 19 (West Berlin 3190 3193).

■ BOLOGNA

Teatro Communale 21.00 Borodin Quartet plays string quartets by Beethoven, Schubert and Haydn. Tomorrow: final performance of Roberto Devereux (529999)

■ BRUSSELS

Palais des Beaux Arts 20.00 Piano recital by Jo Alfidi, with music by Bach, Debussy and Brahms (507 8200). Wed and Sun: Maurizio Barbacini conducts a concert performance of Rossini's La donna del lago, with Katia Ricciarelli (219 6341). Thurs: Stanislaw Skrowaczewski conducts Bruckner's Seventh Symphony (507 8200)

■ COPENHAGEN

Royal Theatre 20.00 The Lay of Thrym, Bournonville's great dramatic ballet on themes of Norse mythology, reconstructed last year by Elsa Marianne von Rosen 85 years after its last performance. Repeated tomorrow and Fri. Wed and Sat: Ariadne auf Naxos. Thurs: Bournonville's Abdallah (3314 1002)

■ LONDON

Covent Garden 19.30 Royal Ballet triple bill: Frederick Ashton's Scènes de ballet and Monotones, plus William Forsythe's In the middle, somewhat elevated, also Fri and Sat. Tomorrow: Don Giovanni. Wed: Les contes d'Hoffmann. Thurs: Kenneth MacMillan's Manon (071-240 1066)

Coliseum 19.30 James Holmes conducts David Pountney's production of Kurt Weill's Street Scene, with a cast including Janice Cairns and Lesley Garrett, also Thurs. Tomorrow and Fri: Xerxes. Wed and Sat: Il barbiere di Siviglia (071-836 3161)

South Bank Centre 19.30 Hugh Wolff conducts the Philharmonia in Debussy's La Mer and Copland's Appalachian Spring, with the Labeque Sisters soloists in Saint-Saëns' Carnival of the Animals. Tomorrow: Charles Dutoit conducts Stravinsky and Brahms. Wed: London Mozart Players. Thurs in RFH: Montserrat Caballé. Thurs in QEH: Gidon Kremer and friends. Fri in RFH: Andrew Litton conducts the Bournemouth Symphony Orchestra. Fri in QEH: Simon Rattle conducts the London Sinfonietta (071-928 8800)

Barbican 20.00 Jan Latham-Koenig conducts the Guildhall Symphony Orchestra in Messiaen's Turangalila Symphony. Tomorrow: Barbican 10th birthday concert with Georg Solti, James Galway and Michael Tilson Thomas. Wed: opera gala night. Thurs: Oliver Knussen conducts world premiere of new orchestral work by Colin Matthews. Sat and Sun: Colin Davis conducts Verdi's Requiem (071-638 8891)

■ MILAN

Teatro alla Scala 20.00 Carlo Maria Giulini conducts the Orchestra of La Scala in Beethoven's Eighth and Third Symphonies. Wed, Thurs, Fri, Sat, Sun: Manon Lescaut (7200 3744)

■ MUNICH

Staatsoper 19.30 Minkus' ballet Don Quixote, also Thurs. Tomorrow and Sat: Die Fledermaus with Pamela Coburn, Trudeliese Schmidt and Wolfgang Brendel. Wed: Boris Godunov. Fri: Salome with Josephine Barstow. Sat: Lucia di Lammermoor with Gruberova and Araiza. Sun: Don Pasquale (221316)

Cuvilliés-Theater 20.00 Members of the Bavarian State Orchestra take part in a programme of Fasching music, repeated tomorrow (221316). This week's Munich Philharmonic concerts at Gasteig (Fri, Sat, Sun morning) are conducted by Horst Stein, and consist of Franz Schmidt's oratorio Das Buch mit sieben Siegeln (48098 614)

■ NEW YORK

Blue Note Jazz Club and Restaurant Tonight's guest artists are the Spirit of Life Ensemble, with shows at 21.00, 23.00 and 01.00. For the rest of the week it is the Elvin Jones Jazz Machine, plus Steve Turre Sextet, with showtimes 21.00 and 23.30, and an extra show at 01.30 on Fri and Sat (475 8592)

Metropolitan Opera Tonight's performance is Don Carlo, conducted by James Levine with a cast including Aprile Millo, Dolores Zajick, Leo Nucci and Samuel Ramey, also Thurs. Tomorrow: Tannhäuser. Wed: Rigoletto. Thurs: Le nozze di Figaro. Sat: Il barbiere di Siviglia (362 6000)

■ PARIS

The Janowski Ring: Marek Janowski conducts the Orchestre Philharmonique de Radio France in a concert cycle of Wagner's tetralogy at the Salle Pleyel over the next two weeks: Das Rheingold on Wed, Die Walküre on Sat, Siegfried on March 10, Götterdämmerung on March 14. (4563 8873). Now is also the time to start booking for the Paris performances of the Welsh National Opera production of Pelléas et Mélisande, staged by Peter Stein and conducted by Pierre Boulez. The production, unveiled at Cardiff last week, will be given four performances at the Châtelet starting on April 23 (4028 2840

■ ROME

Teatro dell'Opera 20.30 Ghena Dimitrova sings arias by Puccini (483 3641). Thurs in Teatro Olimpico: Uto Ughi plays violin concertos by Viotti and Paganini (323 4890)

■ UTRECHT

Vredenburg 20.15 Ken-Ichiro Kobayashi conducts the Netherlands Philharmonic Orchestra in Weber's Oberon overture, Grieg's Piano Concerto (soloist Ana-Maria Vera) and Stravinsky's Petrushka, repeated with an alternative programme and soloist on Sun. Tomorrow: piano trios with David Golub, Mark Kaplan and Colin Carr. Fri: Hartmut Haenchen conducts the Netherlands Chamber Orchestra (314544)

■ VIENNA

MUSIC

Staatsoper 19.30 Minkus' ballet Don Quixote. Tomorrow: Madama Butterfly. Wed and Sat: Rusalka. Thurs: Il barbiere di Siviglia. Fri: Le nozze di Figaro. Sun: Carmen with Baltsa. Next Mon: first of four performances of L'elisir d'amore with Luciano Pavarotti as Nemorino (51444 2960)

Musikverein 19.30 Marjana Lipovsek, accompanied by Charles Spencer, gives a Lieder recital in the Brahms-Saal, also Wed. Tomorrow in the Grosser Saal: European Community Chamber Orchestra. Wed and Thurs: Hans Graf conducts the Salzburg Mozarteum Orchestra. Fri: Pinchas Steinberg conducts the Austrian Radio Symphony Orchestra. Sat: Tonkünstler Orchestra (505 8190)

THEATRE

Vienna's English Theatre (Josefsgasse 12) has performances of Richard Harris' thriller The Business of Murder, directed by Richard Olivier, daily except Sun till April 11 (402 1260). This week's repertory at the Burgtheater includes Claus Peymann's new production of Macbeth tomorrow and Wed. Tonight at the Akademietheater: Brecht's Baal (51444 2218)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
0830-0900 (Tues) Spiegel TV – Intl Report – the real world of documentary
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly – global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly
2130-22.00 (Fri) Spiegel TV – Intl Report

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

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Monday March 2 1992

Buying voters, 'prudently'

IN JAPAN, politicians are bought retail; in Britain, voters are bought wholesale. Polite western circles regard such Japanese practices as, well, "alien". But, alien or not, they are a good deal less expensive. The £4bn in discretionary tax cuts that the British government is rumoured to be considering for the Budget due on March 10 is £300 for every likely Conservative voter. How might a prudent government, especially one dedicated to balanced budgets, justify borrowing to fund so handsome an electoral bribe?

Political justifications are not hard to find. What is needed is a tax cut large enough to entice the electors but not so large that it frightens the foreign exchange markets. Unfortunately, too much prudence, like its opposite, might prove imprudent. If the foreign exchange markets were to decide that the electorate had not been bought, the resultant weakness of the pound might limit the scope for interest rate reductions.

Nothing in recent experience suggests that the Treasury is likely to get such a calculation right. But what it would certainly need to do first is rethink its fiscal policy.

The government's announced policy is to balance the budget over the cycle. Cycles can be almost as long as pieces of string. Suppose, however, that this cycle started in 1988, the year of the most recent peak and, not coincidentally, when the present fiscal doctrine was enunciated.

The forecasts of the Institute for Fiscal Studies, adjusted for deteriorating economic prospects, suggest that nominal net borrowing between 1988-89 and 1996-97 could easily be over £80bn. The government might run offsetting surpluses in the remaining years before the next cyclical peak, whenever that is. But the moon might also be made of green cheese.

Debt ratio

Discretionary tax cuts would throw the current budgetary rationale into the dustbin. A good thing, too, many will say. If one wants a rule, a more sensible one might be to hold the ratio of public sector debt to GDP constant at the current level of 38 per cent, which would imply a public sector borrowing requirement averaging about 2 per cent of GDP (£12bn). Alternatively, the public sector debt ratio could be targetted at 60 per cent, the ratio agreed at Maastricht, which would allow huge amounts of borrowing.

Some argue that no fiscal rule makes sense, especially with monetary policy fixed in the ERM vice. Fiscal policy should be far more flexible than hitherto. The combination of a fixed exchange rate with fiscal fine-tuning would bring the UK most of the way back to the demand-managing 1960s.

Fiscal boost

In short, should the government wish to abandon its past policy to justify an expansionary Budget, it can easily find a rationale for doing so so. Nor would it be possible to condemn the result out of hand. Not only are any likely discretionary fiscal changes small against those that have already occurred in recent years, but demand is unquestionably depressed. Particularly if inflation were going to fall swiftly to the best European levels, a fiscal boost could be justified.

Nevertheless, this does not look the right route, above all for this government. The cyclical timing of any demand-oriented fiscal manipulation would only be as good as the forecasting models. Worse, shorn of credible medium-term rationales, fiscal policy would dance to the tune of the moment. Since deficits are far easier to create than surpluses, the probable result would be inexorable pressure on public spending and a steady increase in the burden of public debt.

The likely medium-term combination of a tight monetary policy with a deterioration in the structural fiscal position is frightening. It looks especially risky for a country with a substantial current account deficit in the midst of a deep recession, above all if the tax cuts were largely aimed at boosting consumption.

Even politically it might be better for the government to stick to the hairshirt it has long made its own. To attempt to buy the election at this late stage would look like panic. The government can rightly argue that the recession is the necessary fruit of a disinflationary policy on which both parties are agreed, but that it alone has been prepared to do what was needed. This, not abandoning its well-established fiscal position, is now its only plausible defence.

Indian budget for business

ROLLING BACK decades of central, bureaucratic control in India is a huge task. The government of prime minister P. V. Narasimha Rao began it last year, under the stimulus of a balance of payments crisis. With foreign exchange reserves now restored, this year's budget was to provide the evidence that the attempt at reform was both serious and for the long term. A great deal was at stake when Dr Manmohan Singh, the finance minister, unveiled the 1992-93 budget on Saturday.

The government's determination to press ahead with reform is impressive. Dr Singh's budget has moved faster in some areas than might have been expected, and more slowly in others than might have been hoped. But the overall direction is clear: Dr Singh has maintained momentum.

The opening of the Indian economy to the world has been accelerated. Tariffs are now to be cut, modestly at first, but with a commitment to bringing them down to levels comparable to those of industrialising developing countries. Dr Singh has taken a big step towards the dismantling of the licence "raj", by removing licence requirements from most imports. His move towards rupee convertibility has also come sooner than expected.

Financial markets

Dr Singh's financial reforms seek to balance the diminishing role of the state by stimulating the flow of private capital. His measures – including removal of government control over stock issues, exemption of financial assets from wealth tax, indexing of capital gains for inflation, and considering permission of direct portfolio equity investment by foreign institutions – are good news for India's financial markets. In its encouragement of private enterprise and competition, this amounts to a radical budget.

There are areas in which more explicit progress would have been desirable. Though the reduced role of government is unmistakeable – the reduction of the budget deficit from 6.5 to 5 per cent of GDP means general cuts in subsidies – the government has still to tackle the grossly overmanned and inefficient public sector: both state industries and the bureaucracy.

Policy on closure of chronically "sick" industries has advanced only a little, with allocation of capital for a National Renewal Fund. It continues to proceed cautiously on privatisation, selling only minority stakes and providing little incentive for improvements to their management and efficiency. Banking reform, urgently needed to underpin change, has only been partially addressed.

Job losses

Evidently, the government has not deemed it politically safe to take measures potentially causing large job losses when the economy is already suffering from measures taken last year to tighten liquidity and restrict imports. Economics and politics could yet derail the government.

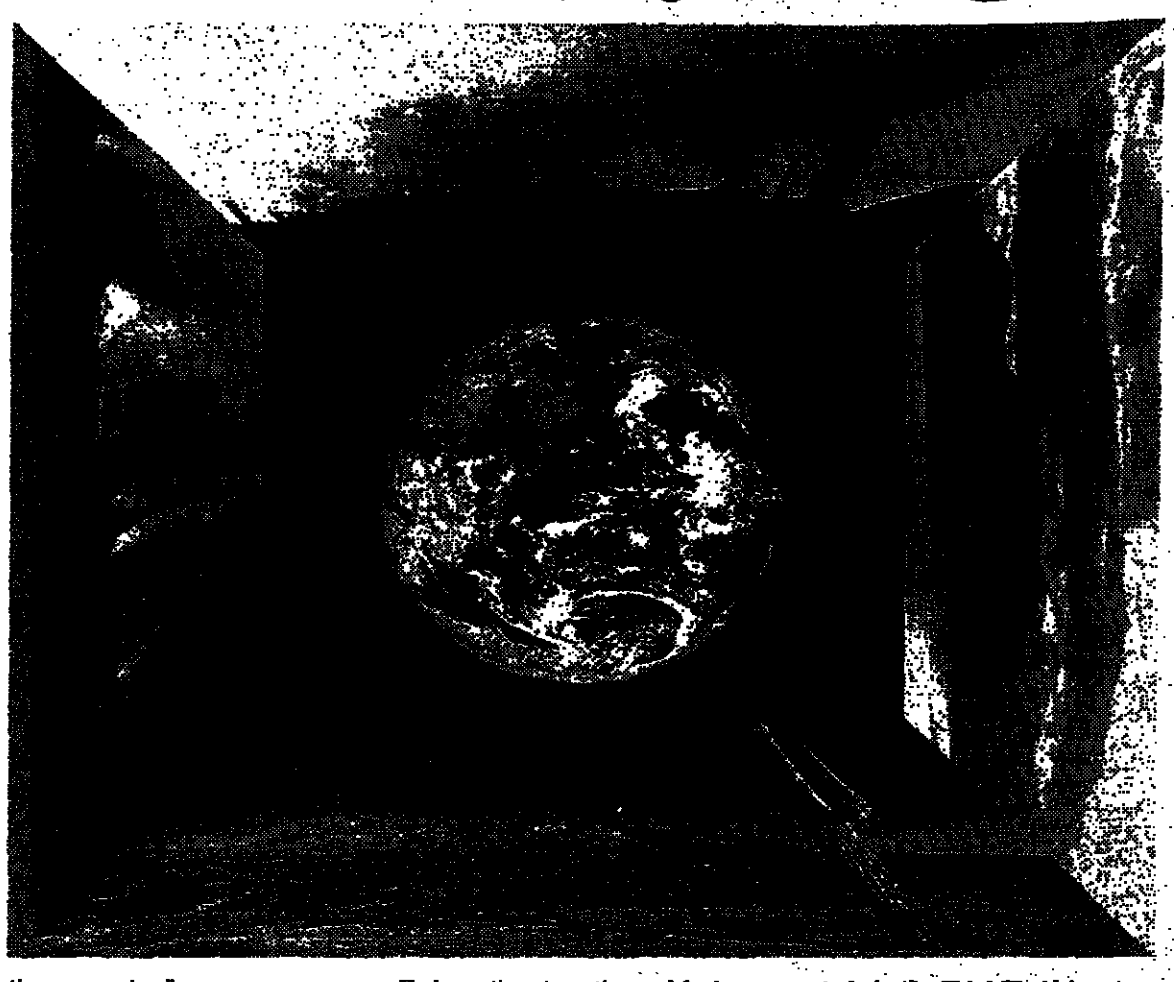
The biggest economic risk is that inflation will not fall as the government projects, forcing a renewed tightening of monetary policy. Hitting the targets for both higher growth and lower inflation would certainly be an achievement.

Politically, Dr Singh is treading in a minefield, as was shown last week, when he was attacked for purportedly discussing budget secrets with the World Bank. The opposition parties, which so far have not had the will to unseat a government confronting problems that they would otherwise have to face, have recently been sharpening their teeth. Wholehearted support within the governing Congress party, which has overseen most of the years of central control and socialism, cannot be taken for granted.

Yet Mr Rao and Dr Singh are engaged in nothing less than the transformation of India and the sloughing off of the fears left by colonial domination. A very long road lies ahead. It is in India's interest that they be allowed to continue upon it.

The Earth Summit is preparing a mighty agenda, but some critics doubt it will address the right questions, writes **David Lascelles**

Life, the universe and everything



The Earth Summit the ultimate in global get-togethers is still more than three months away. But the next few weeks should determine whether this grandly named event lives up to its billing of saving the planet for future generations.

Dozens of delegations from all round the world are in New York for a final, gruelling five-week preparatory meeting. The intention is that they should draw up an agenda for the Summit and agree to spend hundreds of billions of dollars on a massive environmental rescue plan. Their achievements will be put before the Earth Summit itself in Rio de Janeiro in June an occasion to which the heads of state or government of 166 countries have been invited.

Will they succeed?

The Earth Summit is not a clear winner. Its aims are worthy, not to say timely, and clearly reflect mounting global unease about the environment possibly the first issue ever to unite most of the planet's inhabitants. (Some 3,000 environmental lobby groups will be attending Rio too.) But the enormous scale of its ambitions has already provoked the sceptics to wonder whether it will turn out to be more than a giant jamboree. There is also doubt about some of the more alarming-sounding ecological premises on which it is built, and some observers wonder whether it is even addressing the right issues.

One way to get a sense of the Earth Summit is by visiting a grand but rather faded mansion on the leafy outskirts of Geneva where a group of United Nations officials has been labouring on the preparations for the last two years. Here, in an annexe, stands a pile of reports four feet high, containing 15,000 pages of submissions from 105 countries. This is the raw material for the Summit, listing all these countries' green worries, and what want done about them.

According to Mr Lars Hyttinen, a Finn who has had the unenviable job of ploughing his way through the reports, they contain the clear message: "The world is on the wrong track." Wherever you look, people are worried about the land, the air, the water. They want urgent action to safeguard natural resources and deal with the environmental damage caused by poverty as much as by industrialisation.

But while the message may be clear, the evolution of the Earth Summit idea has been far from straightforward. What began as a plan to convene a historic gathering to clean up the world has evolved into an enormous and highly complex exercise in global economics. Political squabbling has also taken its toll: an important initiative to save the rain forests has fallen by the wayside because nobody can agree on who is really to blame for their destruction (all documents now refer only to "forests"). And while officials in Geneva have costed their plan at a staggering $125bn *a year* for the foreseeable future, no one has yet promised to foot more than a small fraction of this bill.

The centrepiece of the summit will be an "Earth Charter" which will commit signatories to restore and protect the world's ecology. This will be backed by detailed plans for action. The main one will be Agenda 21, an 800-page list of tasks extending into the 21st century. There will also be conventions to prevent climate change, and to protect the diversity of the world's living things.

Mr Maurice Strong, the Canadian organiser of the summit, has been touring the world trying to drum up support, and urge political leaders to attend. "For years we have been trying to get the attention of the world leaders," he says. "Now we have got them, we mustn't miss the opportunity. If Rio were to break down, picking up the threads would be very time-consuming."

But even now, Mr Strong's guest list has some conspicuous gaps in it. While government heads in many industrialised countries like Britain, Germany and Japan have told him they will come, President Bush has yet to say yes. Without the US, the world's greatest source of greenhouse gases but also of clean-up money, the event could well be a flop.

One reason why the Earth Summit has assumed such enormous proportions is that Mr Strong and his colleagues believe that it must tackle not just the symptoms of environmental damage, but the causes. It is not merely a matter of cleaning the world up, they argue, but also of ensuring that the Summit agrees on a pattern of economic growth that will avoid causing fresh damage in the future.

This has widened the Rio agenda to include a whole set of measures to encourage what has come to be known as "sustainable growth". These are aimed principally at the industrialised countries whose wasteful use of resources is blamed not just for damaging the environment, but also for denuding Third World countries of their natural riches.

However, the whole thrust of the debate has moved well beyond the role played by advanced countries and into the realm of North-South relations. Virtually all the documents that have been prepared for the New York meeting stress the need for huge transfers of funds and technology from the richer to the poorer countries to enable them to deal with their environmental problems.

This is based partly on the view that the industrial countries are responsible for much of the damage that has been done to the Third World and should therefore pay for it. But in economic terms, UN officials argue that many of the world's gravest environmental problems result from poverty. Poor countries, living from hand to mouth, have to chop down trees and hack away the land simply to survive. They cannot afford to invest in new, environmentally friendly technology. Worst of all, the heavy burden of debt, and the protectionist barriers erected by the industrialised world prevent them from breaking out of their predicament.

President Bush will come under intense pressure from the environment lobby to declare support for the Summit

Even though the industrialised countries actually produce most of the pollution, Mr Strong maintains that investment in environmental controls in the Third World is potentially far more productive. He points to the example of China which wants to double its gross national product over the next 12 years, yet it has 750,000 old industrial boilers which belch smoke into the sky. Unless such problems are dealt with soon, "by the next century the developing countries will be contributing more greenhouse gases than we are," he warns.

However, the emergence of Third World issues at the top of the Rio agenda has led to suggestions that the summit will merely dress up the old arguments for more aid in newly fashionable green-tinged garments. The numbers certainly reinforce this impression. The annual figure of $125bn produced by the Rio secretariat represents not the global clean-up bill, merely the amount of money needed by the Third World in the form of aid, debt forgiveness or technology transfers to achieve its green goals. At the moment, actual aid that falls into these categories amounts to $55bn, implying a need for some $70bn a year in new money.

By any measure, the numbers look extravagant, and could jeopardise Rio simply through their size. They include, for example, $150m-$200m a year merely to operate an information exchange to channel details of green technology to the Third World – something that probably be done for a fraction of the cost.

Mr Strong admits that the sums are large, and that he is asking for the money at a bad time from the recession-hit donors' point of view. But he says "no one fainted or exploded" when he presented them to aid ministers. He has a lower set of figures for actual negotiating purposes, but he declines to discuss them.

The actual amounts of money needed to make Rio a success are less important, he believes, than creating the necessary impact on world opinion, and bringing the issues alive. In particular, he says the industrial world must learn "to make space" for the Third world. "The absorptive capacity of the eco-system is being pre-empted by the North," he warns.

Donor countries will also have to be convinced that the ecological premises are as threatening as Mr Strong's team maintain that they are. For example, scientists have recently scaled back some of their more alarming forecasts about global warming. This has weakened the European Community's case for a carbon tax; it now seems unlikely that this will feature as strongly on the Rio agenda as was once thought, though Mr Carlo Ripa di Meana, the EC Environment Commissioner, is determined that the EC should be prepared to adopt measures that will set the right example.

There is also a question whether the summit is even addressing the right questions. If Third World development has been identified as the most pressing problem, the Rio participants might do better to confront more relevant issues, such as the trade barriers and agricultural subsidies by which rich countries keep out exports from the Third World. If, on the other hand, global warming is the most urgent question, perhaps Rio should aim for a few specific measures to curb emissions, rather than go for the grand but possibly unachievable solutions.

With such a mighty agenda before them, few of the participants are willing to speculate about the outcome at this stage. The European Community, one of the few to have come out with a position paper in advance of the New York meeting, accepts that developed countries have "a special responsibility" to encourage sustainable growth. It also agrees that more money should be given to the Third World, though it opposes the creation of any new agencies to disburse it.

Japan is also making supportive noises, and will be chairing an informal meeting of eminent international persons in Tokyo next month to discuss ways of raising new money. But Japan is believed to have asked that marine mammals are not included in the summit because of its controversial whaling activities.

The biggest uncertainty remains the US position. In the coming weeks, President Bush will come under intense pressure from the environment lobby to declare support for the Summit. But politically, that could ensnare him into commitments to introduce severe emission-curbing measures. The US has already been accused by the Worldwide Fund for Nature and Greenpeace of dragging its feet in negotiations for the convention on climate change.

What the New York meeting should show are the limits to what is realistically achievable in Rio. The secretariat has deliberately set a highly ambitious agenda to drive home the scale of the problem. But it also risks overwhelming the participants with issues and costs.

The result will almost certainly be consensus on the need for action, though there will be differences on how much and by whom. The chief issue, as always, will be money. But the secretariat has made clear that it will be satisfied with promises rather than signed cheques. Mr Joe Wheeler, the director in charge of financial matters, says: "We are looking for less than pledges of new money, but for more than generalities. What we want is a credible statement of intentions."

OBSERVER

Overpowering Burton

■ The latest unseemly boardroom squabble at Burton, the high-street retailer, over the future of two long-serving non-executive directors, is instructive. Does a new chairman have a right, like an incoming prime minister, to demand that his non-executive directors offer their resignations on his arrival in office?

As the rumour mill has it, the directors in question - Ladislas Rice and Mark Littman - have been pressed by Sir John Hoskyns, the chairman, to quit. The two are widely seen as the last hangovers from the Sir Ralph Halpern era of corporate excess.

Rice and Littman have, however, refused to budge. They do not challenge the right of a new chairman to recompose his board of directors. On the other hand it is the directors who appoint the chairman and the shareholders who appoint the directors.

While one can debate Rice and Littman's record as non-executive directors, their firm stance on this issue attracts sympathy. Thanks to last year's rights issue, Burton's finances have been stabilised, but there remain serious doubts about its longer term retailing strategy. Permitting a chairman to replace his own board puts far too much power in one person's hands. For one thing, it would make it far more difficult to sack Sir John Hoskyns himself.

Imprudent

■ It is the first time that anyone can remember that someone has tried to wind up the Pru, Britain's biggest investor.

But there it is for all too see in the pages of The London Gazette, no less. The petition was presented on February 7th by Topbrand Electronic, which claims to be a creditor. It is understood that the matter has now been settled but the legal machinery has been set in motion so the man from the Pru will have to appear in court in Manchester on March 13th, or as soon as the petition can be heard.

While the petition is clearly ridiculous, it is embarrassing for the Pru. It means that any one else owed money can pop up in court and support the winding up petition. It could be a legal field day for the crackpots. Which member of the Pru's legal department let this lulu slip through?

Mused

■ Observer would like to thank respondents to last week's "Musing" teaser for their ingenious replies. The bottle of finest malt goes to William Pitt, the first reader correctly to identify the reference concerning advances French insurer Assurances Générales de France is making on the reluctant maiden, Aachen-based German group Aachener & Münchener, which has other ideas about how it wishes to pursue its European liaisons. AGF has accumulated a 25 per cent stake in AMB, but the Germans have been refusing to register the bulk of the shares – hence "your stock is not votund". For readers who skipped Greek classes, "epithalamium" is the nuptial song serenading the unhappy pair – joined in matrimony as yet only in the minds of stockmarket rumour-mongers.

Over-breeding

The proposed Scottish parliament is growing at a grotesque rate. Under proposals discussed by the Scottish Constitutional Convention on Friday, the Edinburgh parliament could have as many as 194 members. Add in the 72 MPs who the Scots intend to keep at Westminster and the Scottish MP could become almost as common as the Scottish CA.

"It was leap year of 1964 when I got down on my knee and asked him not to marry me"

Futhermore, under the plan, each MP in Edinburgh will have an office, secretarial facilities, at least one researcher paid for by the parliament, a computer hotline to government offices and access to a library staffed with researchers and replete with "the latest computer technology." The MPs will also have office space in their constituencies, and child care and day care facilities in the parliament.

One can understand why Scotland's politicians are getting so enthusiastic. But not surprisingly the question of financing a Scottish parliament is causing problems.

Advertising dregs

■ One of the advertising industry's more boring buzzwords is 'globalisation', the notion that a product-promoting campaign can be extended across different cultures and countries. But like so much else in advertising it is a pretty absurd idea.

Take the Nestlé Gold Blend ads. For some four-and-a-half years, commercial television viewers in the UK have witnessed the development of a 'romantic' saga between a yuppie couple, whose lives appear full of angst and anomie except for the brief moments when they share a cup of Nestlé Gold Blend instant coffee.

Now the joyless duo have been transferred to the US, where they are continuing their assignation; but this time over a cup of Nestlés Taster's Choice. Funny that they prefer a different coffee when in Britain, but never mind. Nobody is taking much notice, least of all McCann-Erickson, the ad agency behind the campaign. It is standing behind its own corporate advertisements which stress "the branding on the ads is so strong, no-one ever mistakes them" for other brands of coffee.

Fax of life

■ Staff at the Central Statistical Office are clearly trying to impress their new boss, Australia's Bill McLennan, who takes over as Britain's top number-cruncher today.

The Australian economy might not be up to much, but its statistics are jolly good and there are high hopes that Mclennan will be able to work the same sort of magic at a CSO which has had trouble shaking off its dozey image. So will the gung-ho Australian be impressed by the CSO's latest innovation – Statfax?

In what could be another cruel blow to London's dwindling army of motorbike messengers, the CSO is now offerring to fax important statistical press releases within minutes of publication. A list of publication dates for economic statistics can be obtained by polling 0336 416046 from a fax machine. Unfortunately, Observer was unable to understand the footnotes to the CSO's Statfax instructions.

The oil company is running against the tide of global retrenchment, writes **William Dawkins**

Giant strides for the French Elf

Elf Aquitaine, the French oil group, attracted envious stares from its competitors last month when it became the first big western oil company to sign production-sharing deals in the former Soviet Union.

The agreements, in Kazakhstan and Russia, are the fruit of nearly three years of painstaking negotiation with the chaotically changing bureaucracies involved, by Mr Loïk Le Floch-Prigent, the bearded Breton who is Elf's chairman. They give Elf a share in what some observers believe may be the equivalent of a new Kuwait – or what could equally be a costly folly.

"Just tell me where in the world the oil business is not risky. Tell me which nation in the world knows what its energy policy will be 10 years from now," ripostes Mr Le Floch-Prigent. If all goes to plan, Russia and Kazakhstan will provide 20 per cent of Elf's reserves by 2000.

Elf's ambition in the east is the most startling illustration yet of why the state-controlled company has become such a puzzle to the world oil industry. At a time when bigger competitors have been retrenching, the formerly cautious Elf has been doing the opposite.

'Internationally, Exxon is seen as the Bush oil group and we are seen as the Mitterrand group'

It has spent a record FFr35.7bn (£3.6bn) on international acquisitions since President François Mitterrand handpicked Mr Le Floch-Prigent to shake up France's largest company, and the world's seventh biggest oil group, in mid-1989. What has he achieved?

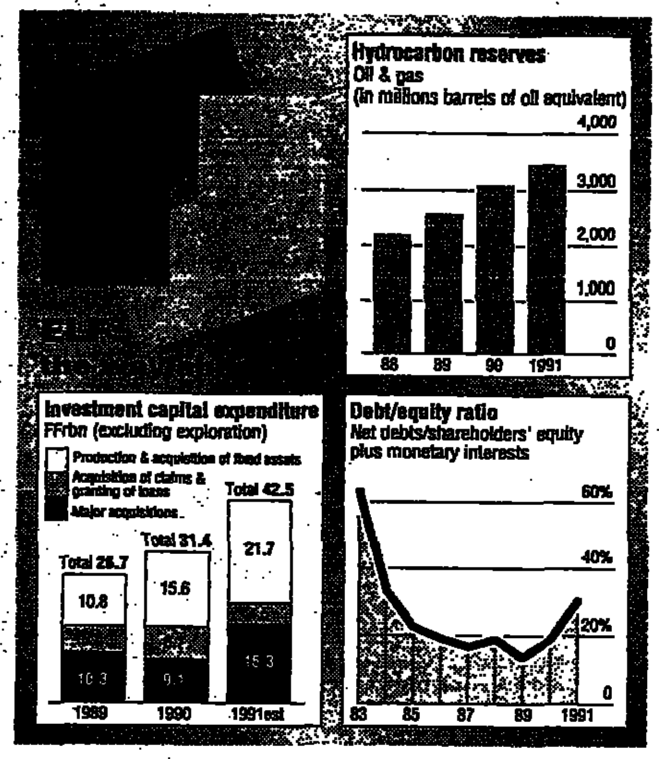
The suspicion is that Elf has just been another victim of the takeover fever which has prompted some of France's biggest businesses to seek foreign expansion with little thought and at any cost in recent years, only to regret it when the economic downturn began to hurt.

Yet nothing could be further from the truth, argues Mr Le Floch-Prigent, as he reflects on his progress and plans in a sun-filled office high up in Elf's mirror-clad Parisian tower block. Certainly, Elf has been hit by the downturn like everyone else in the industry, with a 7.5 per cent fall in net profits last year. But, unlike British Petroleum, it is not facing a serious shortage of funds.

Three years ago, Mr Le Floch-Prigent found Elf to be mainly an oil-producing company with weak refining interests, plus chemicals and pharmaceuticals businesses – Atochem and Sanofi. Traditionally, the group's job had been to find oil and gas for France, which explains why it is one of the few oil groups today able to produce as much as – in fact, a bit more than – it refines.

Historically, the government has taken an active role in Elf's strategy. For example, it leant on the company twice, in the early 1980s and towards the end of the decade, to help prop up parts of the then troubled state chemicals industry.

Today, Mr Le Floch-Prigent has been given a freer hand in setting and carrying out objectives than his predecessors. This is an important element in the changes at Elf, and in line with the gradual withdrawal of French state influence from trouble-free areas of the public sector. He welcomes the government's plans to sell 2 per cent of Elf's equity. It currently owns 53.8 per cent.



It is a mark of his new degree of independence that Mr Le Floch-Prigent successfully resisted government pressure, soon after his arrival, to sell Texasgulf, a loss-making US mineral chemicals group acquired by a predecessor in 1981. Instead, he kept the business and wrote down $600m of Texasgulf's assets.

Mr Le Floch-Prigent's business plan, which he says is not quite complete, has been to turn the loose French-oriented conglomerate of oil-related businesses that he inherited into an international integrated oil group. That means getting a balance between upstream, or production and exploration, and downstream activities – refining, marketing, chemicals and pharmaceuticals – as well as broadening international coverage in all sectors.

The thinking behind this is to use the downstream businesses to produce the cash needed by the capital-hungry and volatile upstream divisions, he explains. Last year, upstream and downstream businesses accounted for an equal share of operating earnings for the first time, a sign that Elf really is getting its businesses to balance.

Upstream, Elf has over the past three years bought acreage in the North Sea and west Africa, so lifting production by more than 40 per cent – an unusually big jump for the industry – to 760,000 barrels per day.

Mr Le Floch-Prigent sees Russia and Kazakhstan as the natural next area for development because they are in his own backyard. "Just as a New York oil company would look at Los Angeles, so we look at the ex-Soviet Union. It's only three and a half hours on the plane," he says.

Downstream, he has been more active, if only because this side of Elf's business used to be undersized, representing a third of operating earnings three years ago.

There are the acquisitions of Amoco's refinery and filling stations in the UK – incidentally Elf's first big refinery outside France; nearly all the Heron petrol station network; a big minority stake in Cepsa, Spain's second-largest oil refiner; and Minol, the former east German filling station monopoly. In chemicals, there is the takeover of Pennwalt in the US, and in pharmaceuticals, the alliance between Sanofi and Sterling Drug, the medium-sized US drug maker.

Contrary to popular myth, Elf has not financed its ambitions with state subsidies, nor with excessive debt. Most of the cash has come from Elf's FFr27bn per year cashflow, while the group has also allowed itself a moderate increase in debt, from 12 per cent of shareholders' capital three years ago to 30 per cent now. At that level, its gearing is still medium to low for the industry, between BP's 69 per cent and Shell's 11 per cent.

Elf has also sought to reduce the cost of acquisitions by paying with shares – by, for example, putting part of its stake in Enterprise Oil, the UK exploration and production company, towards the acquisition of Occidental Petroleum's North Sea interests. Nor did any cash change hands in the Sterling Drug alliance, set up as a straight merger – a model that Mr Le Floch-Prigent aims to use again in future link-ups.

If his three-year mandate is renewed, as seems likely, in June, he reckons his work at Elf is far from over. He wants to reduce the company's dependence on oil production in Europe and Africa – 96 per cent of the total – by striking new agreements in the Middle East before the Russian fields come on stream. The chemicals and pharmaceuticals businesses need a big partner in Japan, he adds.

Elf's stubbornly low share price is a perennial disappointment to Mr Le Floch-Prigent, and a consequence of the state's ownership, according to some of his executives. "I don't criticise the market, but I point out that it is disappointing that the market values us as if we were just an oil business, with no chemicals or pharmaceuticals and all the cashflow they produce," he complains.

On this basis, he thinks the price/earnings ratio should be more than 12, in line with the bigger oil companies, rather than its current level of nearly 10 times historic earnings. Elf tried to improve the marketability of its shares by realising a long-held dream of getting a New York listing last June, since when Mr Le Floch-Prigent has made frequent trips to New York to try to persuade analysts that Elf is undervalued.

As for whether being state-owned is an advantage or a handicap, Mr Le Floch-Prigent refuses to be drawn, as well anyone might whose job lies in the lap of God, as Mr Mitterrand is jokingly called in the civil service.

All the Elf chairman will says is: "I am satisfied with my shareholder because it has allowed me to carry out a good strategy for Elf."

Being French might have been an advantage in the early stages of the Russian contracts, when Mikhail Gorbachev was in power, on the ground that the Soviet Union felt happy dealing with a Socialist government. But state ownership was irrelevant, says an industry official. "Exxon is always seen as the Bush oil group and we are always seen as the Mitterrand oil group in international negotiations. The oil business is political the world over," he says.

Whatever the reason, Elf's transformation over the past three years provides a rare case study of how a nationally based oil conglomerate is trying to turn itself into a coherent international group. The risks are enormous, but then Elf is in a risky business.

When bureaucrats are brought to book

Andrew Hill on the implications of a legal challenge to European Commission rulings

As a headline, "Brussels Slammed For Lack Of Bureaucracy" is from the same school as "Man Bites Dog" unexpected, unbelievable and eminently newsworthy.

That was certainly the impact of last Thursday's unprecedented court decision condemning the European Commission for failing to apply all the red tape required by its own internal administrative rules.

The EC's lower judicial body, the Court of First Instance (CFI), quashed the Ecu23.5m (£16.66m) fine levied on 14 of Europe's largest chemical companies in 1988 for operating a cartel in the manufacture of polyvinyl chloride (PVC).

As Brussels' work-hungry lawyers have been quick to realise, that could be only the beginning. Some believe that competition decisions going back years in particular, fines imposed on cartels and on companies which abused their dominant position could be overturned on the same grounds.

At the same time, the court judgement, the latest in a series of rulings criticising procedural faults, calls into question the way the increasingly powerful Brussels bureaucracy works.

As one competition official put it following Thursday's ruling: "No act of the Commission in the past 25 years has followed the procedure that the Court of First Instance would like us to follow."

Appeals based on Thursday's ruling would not be trivial. As the confidence of the Commission's competition directorate has grown under successive commissioners, Mr Peter Sutherland and Sir Leon Brittan, so have its punishments. They range from last week's Ecu750,000 fine on Aer Lingus, for a restrictive ticketing operation, to last July's record Ecu75m fine imposed on Tetra Pak, the Swiss-Swedish packaging group, for abusing its dominant position in the EC market.

Since the 1960s, the Commission now working at a rate of 8,000 decisions a year has been taking short-cuts past its own strict internal rules. Those rules require official decisions, sometimes in all nine Community languages, to be signed by Mr Jacques Delors, the president, and Mr David Williamson, the Commission's secretary general.

But to speed the process, Mr Delors and Mr Williamson routinely sign only the minutes of the meetings where such decisions are taken. Legally, according to the CFI, such decisions do not exist. The Commission, not surprisingly, is to challenge the CFI ruling in the European Court of Justice, the EC's highest judicial body.

Whether every company ever fined by the Commission has a case is debatable. In theory, appeals against Commission decisions have to be lodged with the CFI within two months. But some lawyers argue that if the original decision was "non-existent", then the deadline itself is meaningless.

The competition directorate has found itself at the wrong end of a string of judgements

Some appeals are already under way. The two largest fines ever imposed by the Commission - the one on Tetra Pak, and the Ecu47m fine levied on Solvay of Belgium and ICI of Britain in 1990, for operating a cartel in the soda-ash market are being challenged.

Whether the latest CFI ruling becomes a factor in these cases will hinge on how far they have got. It will also depend on the extent to which the companies' lawyers are already using procedural arguments against the Commission.

Individual circumstances will play an important part. In the case of the PVC cartel, the wider implications of the companies' successful appeal have been clouded by certain specific criticisms of the procedure relating to this decision.

In an attempt to head off further appeals, the Commission is likely to seek a European Court ruling which supports its internal procedure even if it upholds criticisms specific to the PVC decision. There is no doubt, however, that for Sir Leon Brittan and the Commission's competition directorate often attacked for their own legal nit-picking this is an embarrassment.

In a speech last September on competition policy and procedures, Sir Leon, himself a lawyer, criticised companies for bringing complaints to the court which "usually turn out on analysis to be no more than a procedural quibble", and urged them to concentrate on "the substance of administrative justice".

But in the last month, the competition directorate has found itself at the wrong end of a string of judgements overturning Commission decisions on procedural technicalities. Most notably, the Commission's attempt to force British Aerospace to repay "sweeteners" it received from the government as part of the purchase of Rover, the UK car company, was overturned.

Such judgements have hinged more on the court's interpretation of the EC treaty's requirements. But lawyers involved in the PVC case suggested last week that the CFI was equally fed up with Brussels bureaucrats flouting their own rules, even for good reasons such as efficiency and confidentiality.

As the CFI itself said in its ruling: "All those formal requirements governing the drawing up, adoption and authentication of measures are necessary in order to guarantee the stability of the legal order and legal certainty for those subject to measures adopted by Community institutions."

Competition officials in Brussels are exasperated by what they see as the court's pernickety attitude. "We are talking about how many angels can dance on the head of a pin here," said one. But as most EC lawyers are quick to point out, if the Commission cannot abide by legal technicalities, why should the companies which submit to its decisions?

LETTERS

Manufacturing disability

From D A A Fagandini.

Sir, commenting on Ford's evolving policy in Britain ("Developing cars across borders", February 27) you missed an opportunity to relate Germany's natural (sic!) advantage in respect of development engineers with two pages of newly qualified chartered accountants who will doubtless spread across British industry to join their brethren under Mr P A Davis's (Letters February 2)guiding hand.

There has to be some rational explanation for our overall manufacturing disability. Perhaps we suffer from some natural *dis*-advantage to which you might address your attention.

D A A Fagandini,
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Guinness juror argues that fraud trials not too complex for juries

From Mrs Edna Wijeratna

Sir, As the chairperson of the jury in the recently collapsed second Guinness trial, I am taking the unusual step of writing to you following the article by Justinian ("How to avoid trial by ordeal", February 24), when he refers to the need to reconsider the use of a jury in fraud cases. This has been argued a number of times of late, on the grounds that juries find such cases hard to understand and force the trials to become unreasonably long.

In fact, the Guinness jury did not find it unduly difficult to understand the material, and their chief frustration was the very slow rate of progress, caused chiefly by the way in which Mr Roger Seelig conducted his own defence. They were disappointed and angry when the trial ended with justice neither done nor seen to be done, and many of them wondered whether the consideration extended to Mr Seelig would have been forthcoming for a defendant in humbler circumstances. This is not, of course, to imply anything on the issue of his innocence or guilt.

Members of the legal profession have a way of writing about juries as if it were universally recognised that they are composed of people vastly inferior in understanding to their august selves.

This seems to bear no relation to reality, at least as far as Guinness II is concerned. It deflects attention from the real problems which need to be tackled in the handling of fraud cases.

It seems particularly necessary to make these points when some are arguing that the problems of trying fraud cases by jury are such that it would be better to take them out of the criminal law altogether. Surely the legal profession will have failed society if a thief ceases to be considered a thief, or a cheat a cheat, provided he operates with sufficient sophistication.

Edna Wijeratna,
78 Blenheim Crescent,
London W11 1NZ

Too complex

From Mr John Lyle.

Sir, As an engineer more highly regarded overseas, the implication that specialist engineers cannot communicate well and think laterally ("Engineers and a welding job", February 25) is unfair. Although the article correctly noted that part of the blame for our low status rests with engineers, the real problem with engineering is it is too complex for many City folk to understand.

John Lyle,
HW (Korea),
7th Shinpoong Building,
748-14 Yuksam Dong,
Kangnam-Gu,
Seoul, South Korea

Failure of many quality programmes no surprise

From Mr Simon Greenly.

Sir, Tony Gill (Letters, February 21) may have been disappointed by Christopher Lorenz (Management February 17), but we are disappointed with Tony Gill.

He has fallen into the trap of taking one theme, in his case systemic thinking, and presenting it as a universal business panacea. Systemic thinking is only one element of the total system quality approach. This requires examination of the company as a whole. We call it the house of change.

Its three main building blocks are the company environment, organisation and systems. We deliberately use the word environment, culture is too narrow a concept.

Supporting these must be a communication system and a management education process.

Above everything, change requires leadership, and when we say leadership we do not mean management.

Given the half-hearted approach of both management and consultants to total quality, it is not surprising that a recent survey suggests that eight out of ten quality programmes taking place in the UK are failing. Leaders of British industry must understand the total system quality approach and why they need to commit to it and then protect it.

When leaders stop leading, followers stop following. That is the real crisis that business is facing in the UK.

Simon Greenly,
chairman,
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Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

Two ways to resolving the possibility of GATT failure

From Mr John Howell.

Sir, The accounts you carry of the various contingency plans in the event of the multilateral trade system breaking down as a result of failure to reach agreement in the Uruguay Round are getting progressively more depressing: and now you report (Commodities and Agriculture, February 27) the prospect of "hand to hand combat" between Europe and America. Less copiously reported, although diligently analysed by my colleagues Adrian Hewitt and Sheila Page, are the severely damaging consequences for developing countries if world trade is to break up into regional blocs. It is ludicrous that so much damage to the world economy should be triggered by a failure to reach a political agreement on agricultural protection in Europe and North America.

There appear to be two main ways of resolving this. The best solution is clearly a political initiative at the heads of government level. The prime minister, when chairing the G7 London summit, undertook that leaders would knock heads together if the negotiations did not reach a prompt, and now overdue, Uruguay Round settlement. Election or no election, the time has now come for Mr Major to take action. The timing is no less felicitous for presidents Bush and Mitterrand, who are also confronting awkward electoral calendars. The General Agreement on Tariffs and Trade talks have now been going on for 5½ years and action should be taken to agree a comprehensive settlement, based broadly on the present Dunkel draft, by the end of next month.

If this proves impossible, the alternative solution (and one barely worthy of the term the second-best) was hinted at by Lord Trefgarne (Letters, January 10). Temperate agriculture could be dropped from the Uruguay Round and a settlement agreed forthwith on everything else. For those who profess to believe in an open trading system it is nonsense, of course, to leave agricultural production and trade outside the norms and rules of the GATT. But if such nonsense enables progress on other fronts it may be acceptable nonsense. Achievements on textiles, services, manufactures, and in instilling in scores of once defiantly protectionist developing countries the firm belief that they can benefit from free trade, are considerable and must not be put in jeopardy by politically-driven stubbornness of tragic proportions.

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FINANCIAL TIMES

Monday March 2 1992

Candidates go to Atlanta's churches in search of support before tomorrow's primaries

US presidential hopefuls pray for votes

By **George Graham** in Washington

THE LEADING US presidential candidates went to church yesterday – not to pray for forgiveness after a week of decidedly unchristian attacks on their opponents but to scavenge for votes before tomorrow's crucial round of primaries and caucuses.

In Atlanta, President George Bush, the Republican incumbent, chose the First Baptist Church, while Mr Patrick Buchanan, his rightwing challenger, opted for St Michael's Catholic Cathedral.

Governor Bill Clinton, one of the leading Democratic candidates, attended the Ebenezer Baptist Church, where Dr Martin Luther King Jr. was pastor.

Seven states will decide tomorrow on their choices for the Republican and Democratic presidential nominees, but the church attendance of the leading candidates showed the importance that has devolved on Georgia.

For the Republicans, the state will provide the first big battleground for Mr Bush and Mr Buchanan since the latter's surprise 37 per cent vote in New Hampshire, which held the country's first primary on February 18. Mr Buchanan was unable to get his name on the ballot for last week's vote in South Dakota.

Mr Buchanan came under attack yesterday not only from Republicans such as Senator Connie Mack but also from Mr Zell Miller, Democratic governor of Georgia, who criticised Mr Buchanan for pandering to stereotypes of the south as backward and old-fashioned.

For the Democrats, Georgia is a crucial test for Governor Clinton from the southern state of Arkansas, who is still widely perceived as the frontrunner but is the only leading candidate who has not yet won a state primary or caucus.

Governor Roy Romer of Colorado said yesterday he believed there would be no clear frontrunner after tomorrow's voting.

Mr Paul Tsongas, the former senator from Massachusetts, has his best chances of adding to his New Hampshire victory in Maryland and Colorado.

Senator Bob Kerrey had been expected to focus on Colorado, which borders his home state of Nebraska. Instead, he has spent most of his resources in the past week trying to damage Mr Clinton in Georgia; as a result, he trails in Colorado.

Senator Tom Harkin of Iowa has run so low on money that he has almost stopped campaigning in states which hold primaries by popular ballot and is concentrating on those which elect delegates to the summer nominating conventions in party caucuses.

Nomination race, Page 3

Fears grow that violence may erupt among three national groups

Bosnia claims independence poll victory

By **Laura Silber** in Sarajevo

THE LEADERS of Bosnia-Hercegovina yesterday claimed victory in an independence poll held at the weekend, prompting fears that violence could soon erupt between the three main national groups in the republic.

Initial results showed more than half the 3.2m electorate had cast their ballots, despite a boycott proclaimed by local leaders of the Serb minority, which accounts for 31 per cent of the population. Croats, who make up 17 per cent of Bosnia's 4.3m population, appeared to side with Slavic Moslems, the republic's biggest national group, in voting for independence.

Mr Haris Silajdzic, the foreign minister of Bosnia, yesterday said: "If the European Community is concerned with stability Bosnia should be recognised at once...We expect automatic recognition because the referendum was the only condition set by the EC."

EC foreign ministers will discuss Yugoslavia when they hold their regular monthly meeting today. Any clear vote for independence emerging from yesterday's referendum is expected to increase pressure for EC diplomatic recognition of that republic.

A "yes" vote in the referendum would deal a mortal blow to Serbia's plans to keep Bosnia within a Yugoslav federation. Serbs in northern Bosnia on Saturday reaffirmed their pledge to form a Serbian republic of Bosnia and secede if Bosnia's independence from Yugoslavia is recognised.

Diplomats fear that a recent spate of explosions and roadblocks, reminiscent of events in Croatia leading up to the outbreak of war in June, could presage the violent division of Bosnia. Three people were killed on Saturday in a gun battle in central Bosnia, when masked gunmen set up road blocks in retaliation against Croats, who were blockading a munitions factory supplying the federal army.

The presence of the Serb-dominated army is a major hurdle to Bosnia's quest for independence. Mr Silajdzic said "The Yugoslav army is one of the inherited problems, but we will negotiate and hold talks. Now everyone knows what war is like."

Meanwhile voters in a referendum in the small republic of Montenegro, a close ally of Serbia, yesterday were expected to ballot in favour of remaining in Yugoslavia, now consisting of only two republics

● The European Community will reconvene its Yugoslav peace conference in Brussels on March 9, despite the fact the EC's continuing internal differences over policy towards certain republics make it harder for the Community to play neutral peacebroker, David Buchan writes from Brussels.

The last conference session was held on January 9. But since then, the United Nations has decided to send in a 14,000 peacekeeping force to police the ceasefire, and the first detachment is expected in mid-March.

The UN's military, and the EC's political, initiatives are aimed at complementing each other.

Momir Bulatovic, president of Montenegro, casts his vote yesterday in a referendum on unity with Serbia

Saudi king to set up consultative council

By **Mark Nicholson** in London

KING FAHD, Saudi Arabia's ruler, yesterday announced the formation of a 60-member consultative council and a new "basic law" in the first moves towards broader political participation in the kingdom for 50 years.

The king made the announcement, which has been expected for some months, in a television broadcast during which he said that "momentous events in the recent past ... have made it necessary to develop the country's administrative structure".

Members of the consultative council, or Majlis a Shura, will be named by the king within six months. The body will be able to question the government, which will still be firmly in the hands of the ruling al Saud family, and refer to the king any government actions which it fails to approve.

King Fahd will remain prime minister and commander-in-chief of the armed forces and will retain the power to choose and dismiss ministers and council members.

But creation of the new body will open Saudi Arabia's closed, family-oriented political structure to more open debate.

Hitherto, political participation in the kingdom has been possible only by recourse to individual petition of members of the ruling family. Moreover, the new rules will extend to the sons and grandsons of the late King Abdul-Aziz, the present king's father, a role in determining the succession, thus establishing an electoral college of 500 princes.

The new law is to be based on Islamic Sharia law, which has provided the kingdom's effective constitution.

However, the law will also contain fresh rules to protect personal freedoms and safeguard Saudis against arbitrary search and arrest. The latter, unprecedented reforms, are seen as a means of controlling the activity of Islamic fundamentalists. Organised groups of fundamentalists, known as mutawah, have been seeking to impose their own strict interpretation of Islam through street patrols.

But King Fahd stressed that the political reforms were based on a "study ... and consideration of the kingdom's distinctive Islamic position and its traditions." The king has been promising a consultative council since his accession over a decade ago. In 1980, he set up a special committee to draw up a system of rule based on Islamic principles.

The timing of yesterday's announcement is certain to have been influenced by the Gulf war which put the kingdom under unprecedented international scrutiny.

Life after debt in Latin America

THERE is a tendency in Europe to assume that the Latin American debt crisis, like the poor, is one of those things that will always be with us. Not so, as those familiar with the remoter reaches of the Financial Times have known for quite a while.

The wags who asked whether there was life after debt for this benighted area now have their answers. Private capital is flooding back with a vengeance.

According to a recent report from Salomon Brothers, Latin America attracted more than \$40bn (£23bn) of private capital last year, of which \$15.7bn was in the form of borrowing, \$14bn in direct foreign investment and privatisation inflows, and a further \$6.4bn in portfolio investment. That compares with \$13.4bn in 1990.

Here, then, is the world's liveliest new junk bond market. And the striking thing about the pattern of investment is that it stretches beyond Mexico into countries that are still notching up interest arrears, such as Brazil and Argentina.

Even flight capital, that unseemly blight on the regional economy, is beginning to do an about-turn. The Mexican government estimates that nearly \$5.5bn of flight capital was repatriated to the country last year. The growing confidence of international investors can be seen in the way private sector companies are regaining access to the markets on the basis of their own balance sheets and cash flow. Also in the stretching out of maturities in the Eurobond market, where Mexico's national development bank has even raised 10-year money.

Meanwhile, Mr William Rhodes, vice-chairman of Citicorp, which heads the bank advisory committees to Brazil and Argentina, sees an end to past problems. He expressed optimism last week that these two countries would secure outline agreements with their bank lenders by June. In other words, the Latin American debt crisis could be as good as dead by the 10th anniversary of Mexico's default in August. Hallelujah.

One of the more perverse features of the world economy in the 1980s was the way in which the widespread abolition of exchange controls did so little to encourage an efficient allocation of global resources. Instead of capital flowing from the developed to the developing world in pursuit of higher marginal returns, it went into the United States to finance twin deficits, empty office blocks and better election prospects for George Bush.

Today, the world's biggest creditor country, Japan, would be unlikely to launch a new dollar support operation to help secure a second Bush victory even if the government of Mr Kiichi Miyazawa wished to do so. This reflects the impact of successive scandals, of which the latest, involving Sagawa Kyubin, promises a vintage crop of nasty revelations.

The credibility of the politicians is at rock bottom and the government's ability to influence the Bank of Japan and its hardline boss, Mr Yasushi Mieno, has been undermined.

There are powerful forces at work to ensure a better pattern of capital flows in the 1990s

The extent to which the subtle understandings that used to permeate Japanese public life have broken down was highlighted last week when the elder statesman of the ruling Liberal Democratic party called for lower interest rates to revive the sagging economy. His plea met with a dismissive rebuff from an impressively deadpan Mr Mieno.

There are powerful forces at work, then, to ensure a better pattern of capital flows in the 1990s – not the least of them being the transformation that is going on in the Latin American economies themselves. Even the dimmest bond salesman could wrap his mind around the story: 400 million people in a continent with a GNP equivalent to, say, two-thirds of that of eastern Europe and the former Soviet Union, which has a vibrant private sector and where liberalisation is being embraced with enthusiasm.

The impassioned intellectuals who discussed *dependencia* are out; intellectuals who have watched the Asian dragon economies make themselves as dependent as possible on foreign multinationals are in. Three decades after the dragons dumped their import substitution programmes in favour of export-led growth, Latin America has got the message. The regional economy is already looking up. All countries bar Brazil saw solid growth last year. An eight-year declining trend in per-capita GDP has, according to Saloman Brothers, been reversed. The icing on the cake, as far as foreign investors are concerned, is the imminence of the North American Free Trade Agreement: liberalisation from the Yukon to Yucatan. And there is now talk of the need for free trade from Alaska to the Antarctic as a defensive response to the threat of a more protectionist world in which the US and Europe are at loggerheads on trade.

But are Latin American financial instruments likely to be mis-priced? Over the past year, Brazil's public sector institutions have borrowed in the Eurobond market at up to 6 percentage points over US government bonds of equivalent maturity. International investors have been rushing into short-term money market instruments in domestic currencies at yields equivalent to up to 20 per cent.

Those figures clearly make some allowance for the risk of compensatory devaluations that invariably accompany trade liberalisation and for the risk of default. But whether it is enough is a moot point. David Hale, chief economist of Chicago-based Kemper Financial Services, sees a parallel with the US junk bond market in the 1980s. He fears that an otherwise healthy development from the point of view of global resource allocation may overshoot and create a new debt crisis in the mid-1990s.

The regulators should thus be on their guard, especially in the US, where defaults could lead to yet another contingent liability on public finances. Latin America has, after all, a track record with foreign adventurers. Its gold played havoc with the Spanish money supply after the Conquistadores went to work. Its bonds have been the subject of countless defaults both in the 19th century and in the 1930s, when US commercial banks' efforts to securitise their bad loans left a formidable mark on the regulatory system.

Latin America seems to have been put there to mask the aspirations of the greedy. Amazing how the appeal of this elusive Eldorado always reasserts itself.

Iraq under pressure

Continued from Page 1

the US have ruled out further military action against Iraq, but both would prefer to see opposition to the regime develop inside the country, preferably responding to a united leadership outside embracing all Iraq's main ethnic and religious groups.

To this end, the US has invited Mr Massoud Barzani, the Kurdish leader visiting London, to come to Washington with representatives of Iraq's Sunni Moslem and Shia opposition.

Mr Barzani, who met Mr John Major, the prime minister, last week, is considering the idea but is reluctant to do so unless given firm and public guarantees of US military protection against any reprisals by the regime.

Mr Ahmad Chalabi, a prominent Shia businessman and politician who is playing a leading role in efforts to unite the Iraqi opposition, left London for Washington yesterday to seek precise US guarantees.

East Europeans flock to join the French Foreign Legion

By **William Dawkins** in Paris

IMPOVERISHED east Europeans and citizens of the former Soviet Union are flocking to join France's elite Foreign Legion in search of a life of adventure.

The legion, based in Aubagne, near the southern French port of Marseilles, reported yesterday that refugees from eastern Europe had pushed up the number of foreigners seeking to join its 8,500 men since the collapse of the Berlin wall three years ago.

Before the wall came down, about two-thirds of the Legion was non-French, rising to 80 per cent of recruits last year, Lt Col René Tomatis, the Legion's press officer, said. Of the total, 40 per cent came from Poland, Czecholsolvakia, Romania and Hungary.

Lt Col Tomatis also reported arrivals from the new Baltic states and said he expected more from other former Soviet republics – the first large influx from that part of the world since the 1917 Bolshevik revolution. "It's normal. Since its formation, the Legion has reflected the political changes round the world," said Lt Col Tomatis, who like 90 per cent of the Legion's officers is French.

Surprisingly, Lt Col Tomatis believes most of the new recruits are civilians, rather than disgruntled soldiers. This is partly because civilians tend to be hit harder than the military by their countries' economic problems and partly because the Legion prefers not to take on soldiers who have already trained in other armies, he explained.

"After all, if you want to make a door that fits properly, you do it with new wood. That doesn't mean we won't take soldiers from these countries, it just means we are not especially interested," he said.

The Legion has a long tradition of taking men from the world's hot spots, going back to its foundation by royal order in 1831.

Since then its ranks have included Russian aristocrats fleeing the Bolshevik revolution, who formed the backbone of a famous mounted cavalry unit that distinguished itself in Syria in the mid-1920s. But the most glamorous ex-Soviet to wear the white képi was Col Dimitri Amilakvari, a Georgian prince who died at the head of his troops in El Alamein in 1942.

For those interested in following Col Amilakvari's footsteps, the rules are as austere as the Legion's reputation. Recruits must stay for five years after a six-month probation period – and the lifestyle is legendary. They cannot necessarily expect to get redemption for former crimes, though anonymity is guaranteed.

The Legion will only help out with small offences and prides itself on having fewer ex-offenders than the army as a whole. The Legion accepts less than a fifth of the 7,000 men who apply every year.

India opens up economy

Continued from Page 1

(GDP) in 1990-91 to 6.5 per cent in the current financial year and would fall to 5 per cent in 1992-93.

He said the cut in the budget deficit was the most important factor in curbing inflation, which remains at 12 per cent – or higher than Dr Singh had projected when he presented his first budget in July last year.

IBM deals blow to computer leasing

By **Alan Cane** in London

THE computer leasing industry has reacted angrily to a change in policy by International Business Machines (IBM), the world's largest computer manufacturer, which it believes threatens its ability to continue to supply used and rebuilt mainframe computers.

IBM has already taken legal action in the US against Comdisco, the largest leasing company, claiming it has been "counterfeiting" components in computers sold to customers as IBM machines. It has now written to customers, brokers and leasing companies in Europe warning them that critical components in rebuilt IBM machines may have been passed off as IBM products.

Such components could be more likely to fail than those of its own manufacture, IBM warns, and they would not qualify under the company's maintenance agreement.

Customers, brokers and their bankers are afraid that the new policy could adversely affect the price of used IBM equipment.

An immediate effect has been a doubling of the price of the genuine components in question, memory cards. These are printed circuit boards bearing an array of semiconductor chips.

Genuine IBM memory cards, storing 128m bits of information, have risen in price from £100,000 to £200,000 in the past few months.

The issue is important because of the size and significance of the broking and leasing business. In Europe alone it generates \$10bn in annual revenue and is a principal mechanism through which medium sized and large businesses to acquire IBM mainframes.

Refurbishing and refitting old machines to suit customers' requirements is basic to the economics of the leasing business.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	F	15	59
Algiers	F	19	66
Amsterdam	S	13	55
Athens	S	13	55
Bahrain	S	16	61
Bangkok	C	30	86
Barcelona	C	14	57
Beijing	F	5	41
Beirut	F	12	54
Belfast	F	8	46
Belgrade	S	15	59
Berlin	S	13	55
Biarritz	S	17	63
Bombay	S	30	86
Bordeaux	S	16	61
Boulogne		-	-
Brussels	S	14	57
Budapest	S	9	48
Buenos Aires		-	-
Cairo	F	17	63
Cape Town	F	18	64
Caracas	C	27	81
Casablanca	F	16	61
Chicago †	S	4	39
Cologne	S	15	59
Copenhagen	S	10	50
Corfu	S	15	59
Dallas †	S	11	52
Dublin	R	9	48
Dubrovnik		-	-
Edinburgh	R	8	46
Faro	F	17	63
Florence	S	14	57
Frankfurt	S	12	54
Geneva	S	10	50
Gibraltar	C	15	59
Glasgow	C	9	48
Helsinki	C	3	37
Hong Kong	F	19	66
Innsbruck	S	11	52
Inverness	F	10	50
Islamabad	C	21	70
Istanbul	S	[illegible]	48
Jakarta	R	30	86
Jersey	R	8	46
Johannesburg	C	24	75
Lima	C	28	82
Lisbon	S	13	55
London	C	9	48
Los Angeles †	C	14	57
Luxembourg	S	11	52
Madeira		-	-
Madrid	C	11	52
Majorca	F	16	61
Malaga	F	17	63
Malta	S	15	59
Manchester	R	8	46
Manila	C	31	88
Melbourne	R	22	72
Mexico City		-	-
Miami †	S	15	59
Milan	S	14	57
Montreal †	Sn	-15	5
Moscow	S	2	36
Munich	S	14	57
Nairobi	F	28	82
Naples	S	5	41
Nassau		-	-
New Delhi	S	25	77
New York †	C	-3	27
Nice	F	14	57
Nicosia		-	-
Oporto	F	14	57
Oslo	R	5	41
Paris	S	19	66
Prague	S	7	45
Reykjavik	C	1	34
Rhodes	S	16	61
Rio de Janeiro		-	-
Rome	S	14	57
Salzburg	S	14	57
S'Francisco †	R	12	54
Seoul	F	12	54
Singapore	F	31	88
Stockholm	C	4	39
Strasbourg	S	16	61
Sydney	C	24	75
Taipei	F	25	77
Tangier	S	17	63
Tel Aviv	S	12	54
Tenerife	F	14	57
Tokyo	C	18	64
Toronto †	C	0	32
Tunis	F	19	66
Valencia	F	14	57
Venice	S	12	54
Vienna	S	13	55
Warsaw	S	13	55
Washington †	S	-3	27
Zurich	S	9	48

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS

Monday March 2 1992

INSIDE

Drug problem hits Fisons' health

Fisons, the UK pharmaceuticals and horticultural group, is likely to report tomorrow a drop in pre-tax profits from £230m ($402m) in 1990 to around £190m last year. Mr Patrick Egan, newly-appointed executive chairman, admitted this week that the company had two pressing problems – a replacement for Mr John Kerridge (pictured), the chief executive who resigned recently, and a speedy resolution to its seemingly incessant differences with the FDA over manufacturing quality standards for Opticrom, a hay-fever drug, and Imferon, a product for anaemia. Page 16

A test for Treasuries

The next five days will test the strength of recent rally in the market for US Treasury bonds. Page 18

Traders sit tight before Budget

The market in UK government bonds is showing all the characteristics of a rabbit caught in a car's headlights. Like the rabbit, the market is showing signs of paralysis, not daring to move until the Budget, followed closely by the election, ends the uncertainty hanging over gilts. Page 18

In for a krona ...

A consortium of Swedish banks has agreed to buy Independent, the financial subsidiary of Fermenta, the Swedish industrial group, for SKr1. Page 17

Market Statistics

Companies in this issue

McDonnell in difficulty on Taiwan stake

By Martin Dickson in New York and Paul Betts in London

McDONNELL Douglas of the US is facing increasing difficulties in its attempts to sell 49 per cent of its commercial aircraft business to Asian partners. This raises doubts over the company's plans to launch later this year the development of a new 350-400 seater jumbo aircraft, the MD-12, to challenge Boeing's dominance of the large airliner market.

The growing uncertainty over the future of McDonnell Douglas' commercial aircraft activities follows a statement by a senior executive of Taiwan Aerospace, which has been negotiating to take a stake of up to 40 per cent in the US company's civil aircraft business for $2bn, that it may buy only 25 per cent. The statement by Mr Liu Kuo-Chih, vice-president of Taiwan Aerospace, to a news agency on Friday hit the price of McDonnell Douglas shares, which closed $2¼ down at $63¼.

The decision would make it financially harder for McDonnell Douglas to develop its new MD-12 jumbo airliner, a direct competitor to the Boeing 747-400. The company needs the new jet to assure its long-term future in the jetliner market.

Mr Robert Hood, president of the company's Douglas Aircraft subsidiary, said at the Singapore Air Show last week that the company was talking to other Asian nations about taking a bigger stake in the company's commercial aircraft business.

He remained optimistic that Taiwan Aerospace would raise the $2bn for a 40 per cent stake, but also conceded that other Asian countries might end up taking part of the shares originally intended for Taiwan.

McDonnell Douglas has been in discussions with investors in Japan, South Korea, Singapore and Indonesia as well as Taiwan. However, the three Japanese aerospace groups, Kawasaki Heavy Industries, Mitsubishi Heavy Industries, and Fuji Heavy Industries, have so far responded unenthusiastically to the McDonnell Douglas approaches.

The three Japanese companies have also been approached by both Boeing and the European Airbus consortium to participate in the development of a new ultra-large aircraft with 600 seats.

A South Korean consortium led by Korean Air has been considering investing $500m in the US company's civil aircraft business for a share of the MD12 programme.

McDonnell Douglas announced last year it planned to complete its deal with Taiwan by the end of January. But Mr Hood indicated in Singapore that he now expected the deal to be completed by the end of this year.

McDonnell Douglas, anxious to see off opposition to the deal in the US Congress on national security grounds, has stressed there would be only limited technology transfer to Taiwan.

This has led to Taiwanese politicians claiming that the country should be getting more, especially if the deal is meant to fulfil the Taipei government's ambition to build a civilian airline industry.

Meanwhile, Boeing last week took its complaint about the potential deal to the US Congress, saying a subsidy by the Taiwanese to McDonnell would affect Boeing's competitive position.

Richard Lapper meets the chief executive of Royal Insurance

Battered by storms but heading for port

"NOBODY thought we'd have the guts to do it," said Mr Richard Gamble, the chief executive of Royal Insurance, whose decision last week to omit the company's final dividend surprised the City and precipitated something of a run on the company's already battered shares.

Mr Gamble – who took over the hot seat late last year – believed he had no option and said the decision enjoyed the unanimous support of Royal's board.

Royal's pre-tax losses of £373m were substantially worse than many analysts had expected and very nearly double the £187m loss reported in 1990.

That result was the first time the company had ever been in the red in its 147-year history.

In the last two years the company's balance sheet has been wrecked by a succession of catastrophic losses.

It paid out £100m to meet the cost of storm losses in January 1990, and a further £126m to meet claims from subsidence damage to houses.

Last year it was hit even harder by insurance claims from building societies and banks who have lost millions of pounds on sales of properties repossessed after their owners had defaulted on mortgages.

Royal is a market leader in this class of insurance – known as domestic mortgage indemnity – and underwrites one in every five contracts. It has paid out £66m in claims and made provisions of more than £200m for future claims which it expects to emerge after properties repossessed but not yet sold are disposed of.

The group's solvency margin – the gauge used by insurers which compares net assets as a percentage of annual premium income – fell to 29 per cent at the year end, a level nearly twice as high as the legal minimum but much too low for comfort.

Subsequently the sale last month of Royal's Dutch subsidiary to a newly formed European joint venture – which Royal jointly owns along with Germany's AMB and Italy's Fondiaria – has pushed up the margin to 34 per cent.

Even so a dividend payout – even maintained at last year's level – would have cost more than £90m, including the cost of advanced corporation tax.

After Royal reported disastrous half-year results last August, many analysts had been expecting a cut but few had advised their clients that the dividend might be passed altogether.

The result was a rush of selling on Thursday, led by the managers of income funds. This wiped nearly 20 per cent off the company's market value.

At the end of the week Royal's share price stood at 183p, compared with a 1991 high of more than 400p and a high in 1990 of nearly 600p.

Capitalisation has sunk to less than £900m and the Royal could drop out of the FT-SE 100, a huge blow to morale for a company which for much of this century has regarded itself as the most eminent UK insurer.

Mr Gamble and his senior colleagues were shaken by the fall and are bitterly critical of what they allege to be shortsightedness by the market.

"What shocked me was the freefall," said Mr Gamble, who believes that the market has not fully appreciated the extent of change introduced to the Royal since he assumed effective control early last year.

A former deputy finance director of British Airways, he has waged war on the lax underwriting and financial controls that he believes to be at the root of the company's present demise.

A succession of senior managers have been replaced, frequently by executives from outside the insurance industry.

Costs have been cut – last year 1,500 people left Royal's worldwide operations, nearly one third of them in the UK.

Under Mr Gamble's direction, Royal is less concerned about its share of the market than it was in the early 1980s, when the company grew rapidly in the UK and North America.

"I was horrified when I came into this business and found it so driven by market share," he says.

Strategic thinking at the Royal, like the insurance industry in general, is too dominated by industry concepts like expense ratios (which measure expenses as a percentage of premiums) which give little guide to the underlying profitability of business being written, adds Mr Gamble.

Companies can reduce their expenses ratio simply by underwriting large quantities of business which may ultimately generate losses.

"We've got to look at real money", he says.

The new profit-centred approach draws a great deal from the experience of Royal's Canadian operation, led in the 1980s by Mr Roy Elms.

He transformed a loss-making business by insisting that his underwriters become more selective about risks and backed away from potential problem areas.

Royal no longer boasts that it is Canada's biggest insurance company but last year the company increased its profits.

Mr Gamble regards Royal Canada as a "template" for the global operation and has appointed Mr Elms to a new position of group underwriting director.

Royal claims some progress has been made already.

Last year it reduced the number of policies it writes by around 10 per cent.

In some loss-making areas like motor business the reduction was even sharper.

Royal reduced the number of motor fleet insurance policies it sold by 30 per cent, and insures 17 per cent fewer private motorists than it did 13 months ago.

The problem, though, is that any improvements have been masked by the company's mortgage indemnity results. Mr Gamble accuses the market of "myopia", but analysts are still worried.

The market is concerned by the scale and uncertainty of the mortgage indemnity claims.

Royal latest estimate is that total losses on mortgage indemnity for last year, 1992 and 1993 could amount to £450m.

This compares with an estimate of £400m just three months ago.

"It just seems to get worse," said one analyst, pointing out that Royal reacted to the problem later than some of its competitors.

"Under the circumstances Mr Gamble is a doing a pretty good job. But he is in the sort of circumstances that you wouldn't want to be in in the first place."

Richard Gamble

Robinson seeks 20% cuts at Granada

By Raymond Snoddy in London

MR Gerry Robinson, the new chief executive of the Granada group, has called for a 20 per cent cut in costs at Granada Television after inflation, in spite of being warned this could not be squared with the company's UK broadcasting licence obligations.

In a paper to the Granada board at the end of November, Mr Robinson said a 20 per cent cut in the nine months to September 1992 would increase Granada Television's profits from £22m ($38m) to £54m.

"We believe that the cost base is high and something in the order of 20 per cent real reduction is achievable given the will to do so," Mr Robinson argued.

It was the call for such deep cuts, combined with a demand for 300 further redundancies in the 1992-93 financial year, that led to the resignation of Mr David Plowright, the distinguished chairman of Granada Television.

The Robinson paper was written after Mr Plowright warned that a doubling of Granada Television's profits was unrealistic if the company was to meet the terms of its new broadcasting licence.

In January Mr Plowright and Mr Andrew Quinn, the new chief executive of Granada Television, agreed to 100 job losses to save £6m a year.

In the strategy paper Mr Robinson said that agreements with the Independent Television Commission should be honoured. He said that not only should Granada Television tackle its cost base, but everything possible should be done to reduce the cost of the national ITV network schedule.

He has since been told that more than half the costs of ITV are fixed, including payments for the network, transmission and Independent Television News. Mr Robinson was seeking 20 per cent cuts overall, which would have had to come out of 40 per cent of Granada Television's spending.

Mr Robinson's other targets for cost cutting include Granada Television's central Manchester studios and the group's trunk-road service stations and hotels.

"We have a huge site in Manchester that is on balance something of a liability because it is far in excess of our needs and is expensive to operate," Mr Robinson said in the November paper.

Mr Robinson and Mr Alex Bernstein, Granada chairman, come up for election at Granada's annual meeting tomorrow.

Little for Lamont to crow about in needle match

Economics Notebook

By Peter Norman

MR Norman Lamont has had little to crow about recently.

One of the few achievements about which he has been able to boast was the opt-out clause in the Maastricht Treaty that gives the UK the right to decide whether to move to stage three of European economic and monetary union, with its single European currency and central bank.

However, it now looks as if Germany is going to make its move to the final stage of Emu in the late 1990s depend upon decisions of its own parliament without having bothered to negotiate a special protocol at Maastricht. Moreover, Germany is likely to use its emerging hard-line approach on Emu in support of its efforts to base the planned European central bank in Frankfurt rather than in the City of London, or elsewhere in the community.

When the Maastricht treaty comes before the German parliament for ratification this year, it is expected that both chambers of parliament – the Bundestag and Bundesrat – will demand the right to "take stock" of Emu in 1996 before moving to the third and final stage of the project.

German monetary officials insist that they will not be seeking the equivalent of Britain's opt-out clause. But parliamentary pressure will clearly be used to ensure that Emu does not fall short of the traditional German goals of price stability and tight monetary management.

It is also becoming increasingly apparent that the German authorities regard the location of the future European central bank in Frankfurt as an important guarantee that Emu will conform to German standards.

The *sub-fusc* world of European central banking does not normally witness heightened passions. But something approaching a needle match has broken out between the Bundesbank and Bank of England over the site of the European central bank.

Both institutions realise that in the long term it could determine where Europe's premier financial centre will be based.

Last week, Mr Hans Tietmeyer, the deputy governor of the Bundesbank, raised the stakes on Frankfurt's behalf by saying that the European Monetary Institute – the forerunner of the ECB – should be based in Frankfurt to compensate Germany for the loss of the D-Mark in the move to Emu. He pointed out that the decision about where to base the EMI has to be made this year and the city which lands the EMI is generally expected to be the home of the ECB. "A decision for Frankfurt would be a demonstration by Europe that European monetary policy would follow the German tradition of stability and the single European currency would be a worthy successor to the D-Mark," he said.

Such statements could be dismissed as so much fine rhetoric, if it were not for the fact that Emu will be a hot topic in the German parliament this year. Having woken up late to the implications of the Maastricht treaty for the D-Mark, the German public and media are not going to let the treaty's ratification pass without subjecting it to fierce scrutiny and conditions.

Already German officials are warning that the pressure of public opinion would make it very difficult for the Bonn government to approve placing the EMI and the ECB outside Frankfurt.

Such warnings have serious implications for those of Germany's EC partners (all except Britain and Denmark), which have committed themselves to Emu. If they do not back Germany in its wish to have Frankfurt as the home of the ECB, they could find Europe's most powerful economy threatening to stay aloof from the project when the German parliament "takes stock" of Emu in 1996.

Last month, Mr Lamont told the Commons Treasury and Civil Service Committee that Britain would argue for the EMI to be based in the UK. There are doubtless many reasons for pressing such a case – not least the strong position that the City has built up in markets for the Ecu, the embryo EC currency.

But will the other EC member states defy Germany over the home of the ECB if Emu itself is at stake?

And why should they support London, so long as Britain's commitment to Emu is still hedged by the opt-out clause so carefully negotiated by Mr Lamont?

Costly support

RARELY can a Budget have generated so much heat in advance as that which the chancellor will deliver next week. But with attention focused on likely cuts in personal income taxes, the pros and cons of suggested tax breaks for industry have been neglected.

One idea supported by organisations as diverse as the Confederation of British Industry, the Engineering Employers' Federation and the Labour Party is an increase in depreciation allowances on plant and machinery investment.

The three groups differ over precisely what changes they would make to existing corporation tax allowances to boost investment. The CBI wants a permanent 40 per cent depreciation rate rather than 25 per cent at present. The EEF wants at least 40 per cent, rising to 100 per cent by the mid-1990s. The Labour Party has still to make a final decision. But it has toyed with temporarily increasing the depreciation rate on plant and machinery to 40 per cent and has considered the possibility of a temporary 100 per cent allowance.

Until now, little attention has been given to the cost of such measures. But work by the independent Institute for Fiscal Studies suggests it could be high. The IFS calculates that a permanent change to 40 per cent in the Budget would reduce tax revenue by £2bn for two years starting in 1993-94 and cost around £11.6bn over 10 years.

A temporary 40 per cent allowance for one year would cost £2bn in 1993-94 while a 100 per cent temporary allowance would cost nearly £11bn in 1993-94. However, the high initial costs of the temporary schemes would be offset by lower claims on allowances in later years so that around 60 per cent of the one-year cost would be clawed back.

Even so, the IFS argues the state would find it was helping to finance much investment that would take place any way. It would also run the risk inherent in all stop-go policies of applying a temporary tax boost when the economy might be recovering of its own accord. Taken together, these considerations might enhance the attractions of other ways of helping business in the Budget – such as easing the burden of the uniform business rate, which hits all companies, whether they are making a profit or not.

Ex-chief of Eagle Star to advise on mergers

By Richard Lapper in London

MR Michael Butt, who left his job as chairman and chief executive of Eagle Star last September after the UK insurer announced first-half losses of £189m ($330m), has joined London-based corporate finance boutique Phoenix Securities to advise on mergers in the insurance industry.

Mr Butt, who spent five years in charge of Eagle Star, said yesterday he expected rationalisation in the industry to generate mergers, especially in Europe. "There are too many players with capital spread too widely, backed up by insufficient underwriting expertise," he said. "There are 4,000 companies in Europe. We need about 500."

Phoenix Securities was set up by Mr John Craven, now chief executive of Morgan Grenfell, the Deutsche Bank-owned merchant bank, and advised on many of the mergers which reshaped London's securities industry in the mid-1980s. It was part of Morgan Grenfell until a management buy-out in 1990.

Mr Butt was involved in the development of the insurance strategy of BAT Industries, the company's parent. BAT acquired Farmers, the Californian insurance group, and Allied Dunbar, the life insurer, in the 1980s and is now one of Europe's biggest insurance groups.

Mr Butt says the resistance of existing management has been one of the main factors holding up insurance takeovers and mergers to date. Further, many potential predators are waiting until uncertainties in such areas as mortgage indemnity, pollution and asbestosis are resolved.

COMPANIES AND FINANCE

Redland resumes attack on Steetley's European quarries

By Andrew Taylor, Construction Correspondent

REDLAND, which this week expects to hear that it can proceed with its £600m contested bid for rival UK building materials group Steetley, yesterday resumed its attack on the quality of Steetley's continental European aggregate business.

Mr Peter Lilley, the trade secretary, is expected to announce within the next few days that Redland has given sufficient undertakings – to dispose of businesses where it would acquire a dominant market position – to allow the takeover to proceed. Redland has offered to sell two brick plants in south-east England and to dispose of Steetley's clay tile operations if its offer for the company succeeds.

Under takeover panel rules, Steetley must publish its final defence document within two days of the bid being cleared by Mr Lilley.

Redland, which has hired external consultants to investigate Steetley's quarries in France and Spain, said yesterday that the Spanish reserves were lower than Steetley had implied when it bought the business in 1988. The group said that inspection of the sites, geological studies and interviews with local people had revealed that the Spanish reserves were no more than 30m tonnes. Of this, only half was likely to get planning permission because some of the sites would be affected by plans to establish a nature reserve in the area.

When it announced the purchase of five connected companies in the Madrid area for £24.6m Steetley said there were 30 years of proven sand and gravel reserves at current production rates. Redland said that this had implied reserves of at least 48m tonnes. It estimated that Steetley had earned profits of £7m on its Spanish businesses last year "despite having invested between £60m and £70m in Spain since 1988."

Last week Redland also claimed that Steetley's French aggregate reserves were also much less than the group had previously indicated.

Mr Richard Miles, Steetley's chief executive, said last night: "This increasingly strident barrage of asset bashing is a deliberately misleading attempt at scaring our shareholders into parting with their assets on the cheap. It of course avoids mention of Steetley management's proven ability to deliver above-average earnings."

He said Steetley would provide a breakdown of its asset value and earnings potential "at the appropriate time, and not before."

Hillsdown to float part of Fairview

By Vanessa Houlder, Property Correspondent

HILLSDOWN Holdings, the diversified food group, is preparing to sell part of Fairview New Homes, its housing subsidiary, in a flotation that could fetch £100m.

The move is in keeping with Hillsdown's decision two years ago to concentrate on its core food business, which accounts for more than 80 per cent of the group.

It has delayed selling the housebuilding subsidiary because of a reluctance to sell the business at the bottom of the cycle.

The sale is likely to take place later this year or in early 1993 – although the exact timing will depend on the state of the stock market.

"The condition of the market will dictate the timing," said a Hillsdown spokesman. "We don't need the money; we are not pressured to complete the sale."

Fairview, which specialises in London flats for first-time buyers, has cut its margins but continued to make profits during the recession.

Hillsdown is planning to make several in-fill acquisitions, priced between £25m and £50m, in the food business.

The group will announce its 1991 figures on March 11. The City is expecting a fall in pretax profits from £191m to below £185m.

Gt Portland sells Bride Hall stake

By Vanessa Houlder, Property Correspondent

GREAT Portland Estates, the property investment company, has sold its 50 per cent stake in Bride Hall, the developer and trader, in a complex deal.

Great Portland is making a loss of £14m on the sale of its stake to a trust of Mr Danny Desmond, its partner in Bride Hall for an initial £500,000. As Great Portland is withdrawing from development for trading purposes it is treating the loss as an extraordinary item.

Great Portland is also buying one of Bride Hall's properties in the Euston Road, which has just been valued at £22m, for its full acquisition and development cost of £29m. Great Portland will charge £700,000 of the loss to its trading profits for the year to March 31 1992 and will take £8m to its revaluation reserve.

The 65,000 sq ft Euston Road building, one of the largest schemes in Bride Hall's portfolio, is pre-let to Gestetner Holdings. In 1987 Great Portland provided a guarantee to Barclays Bank for the project and agreed to make good any shortfall between the amount owed and the proceeds from the sale of the building, without recourse to Bride Hall.

Great Portland is raising £30m by a further issue of 10¾ per cent First Mortgage Debenture Stock 2021 to finance further property investment and development.

The company confirmed its intention to maintain its dividend.

Drug problem damages corporate health

Paul Abrahams and **Daniel Green** chart the tribulations of Fisons

AN AIR of bruised defensiveness haunts the boardroom of Fisons these days.

The group, which is likely to report tomorrow a drop in pretax profits from £230m in 1990 to around £190m last year, is still coming to terms with the resignation in January of Mr John Kerridge, its executive chairman. A US ban on two of its best-selling products, which has cost it more than £65m in lost profits, continues to torment the company.

Meanwhile, Fisons' relationship with the City of London remains sticky.

A romance lasting nearly a decade of sustained growth turned sour in the closing months of 1991 as it became clear that visits by the US Food and Drug Administration (FDA), which controls which drugs are sold in the US, had uncovered a series of manufacturing problems.

In addition, institutions became exasperated at the persistent failure of Tilade, the asthma drug and the company's great hope for the 1990s, to gain US approval. Repeated promises that the drug was on the verge of approval were broken. Nearly two years later the City is still waiting.

If that were not enough, investors received a series of nasty surprises during the autumn of 1990. The company announced progressively increasing losses arising from the absence of two other drugs, Opticrom and Imferon, from the US market.

This culminated in the profits warning on December 11.

Mr Patrick Egan, newly appointed executive chairman, admitted this week that the company had two pressing problems – a replacement for Mr Kerridge and a speedy resolution to its seemingly incessant differences with the FDA over manufacturing quality standards for Opticrom, a hay-fever drug, and Imferon, a product for anaemia.

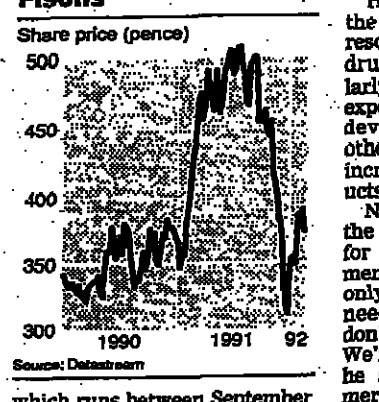
The difficulties with the FDA continue. Mr Egan has said the company does not yet have a date for the visit by FDA inspectors. Analysts had once expected the visit to take place in January or February. A date of mid-March was then mentioned, but there is now speculation the inspectors may not arrive until April.

Mr Egan denied there had been a break-down in the relationship with the FDA, but admitted there had been slippage in the timing of the FDA visit.

He argued, however, that the date was no longer critical because the company has missed the spring hay-fever season for Opticrom. The product should be ready in time for the autumn ragweed season

Fisons

Share price (pence)



Source: Datastream

which runs between September and November. This period formed the bulk of Opticrom's sales, he added.

Before the withdrawals, Opticrom had annual US sales of about $40m while Imferon's sales were about $20m.

Meanwhile, Mr Egan is busy searching for a chief executive. He said he was considering internal and external candidates and expected to make a decision within the next six weeks.

Mr Egan stressed the company's underlying strength and argued that the set-back was only temporary. He insisted the company had a strong pipeline of drugs in the two fields in which it plans to specialise – respiratory and central nervous system pharmaceuticals.

He admitted, however, that the company did not have the resources to develop all of the drugs it discovered, particularly outside its core fields. He expected an acceleration in co-development projects with other companies as well as an increase in the number of products Fisons licenses out.

Nevertheless, he argued that the company had critical mass for its research and development although it was spending only £80m a year. "We don't need to be merged and we don't need to be taken over. We're operating quite nicely," he said. "I have ruled out a merger with a company of the same size or a larger group."

Mr Egan also said he was not under pressure to sell the scientific instrument division or the horticultural business, even though he was receiving an offer a week for the latter. He was not actively soliciting offers, he added. However he did say he might dispose of bits of the company if he was under pressure to fund drug development.

Meanwhile, Fisons is trying to repair bridges with both the City and the FDA following the ban on its drugs. Both must relearn how to trust the company. Mr Egan and whoever he chooses as chief executive will have plenty to do before Fisons feels less battered and bruised.

Waterman Prtnrshp £235,000 in red

Waterman Partnership, consulting civil and structural engineer, incurred a loss of £235,000 in the half year ended December 31 1991, compared with a profit of £306,000.

Work done fell to £3.84m (£6.22m) and there were further reorganisation costs and provisions, explained managing director Mr Bob Campbell.

However, the group remained cash positive and an interim dividend of 0.5p is declared – half the previous payment. Losses per share were 0.8p, against earnings of 1p.

Fleming Income raises £92m

Fleming Income & Capital Investment Trust has raised £92m in its offer for subscription, indicating that investors recent enthusiasm for investment trust launches has yet to be sated, writes Philip Coggan.

The trust, like many other recent offers, had a split capital structure, and was linked to a Personal Equity Plan (PEP). Income and capital gains made within a PEP are free of tax.

Fleming said it received applications for 25.7m package units (comprised of one ordinary income share and one zero prerefence share) and 45.5m ordinary income shares. In addition 20.5m package units, 200,000 ordinary income shares and 45.8m zeroes have been placed with investors.

PEP applications were received in respect of 18.1m package units and 38.6m ordinary income shares.

Investors can place £6,000 into an investment trust new issue PEP in a tax year. This is double the allowance that can be put in an existing investment trust and the result has been a burst of new issue activity in the sector.

Kleinwort Benson Olympic adviser

Kleinwort Benson, the international merchant bank, has been appointed financial adviser to Manchester city council and the Manchester Olympic Bid Committee in their efforts to bring the Olympic Games to the UK in the year 2000.

The bank has been advising Manchester council on the financial and risk management aspects of hosting the Games, on the financing of the associated £1bn construction programme and on opportunities for involving the private sector.

Allied-Lyons completes sale

Allied-Lyons, the UK food and drinks group, will this week inform the Stock Exchange of the completion of its plans to sell three of its drinks businesses to management in a £140m deal, writes Christopher Price.

Plans for the sale were first announced by the company in November as part of a restructuring exercise which involved a refocusing of Allied's strategy around its international brands.

The deal involves Showerings, the UK's third largest cider business, being sold to its management headed by managing director Mr John Wilkinson. VPW, which produces British wines, and Warninks, Dutch manufacturer of advocaat, are also included in the buy-out.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Pedro Domecq (Spain)	Unit of Allied-Lyons (UK)	Drinks distribn	£50m	Cash & paper deal
Allied-Lyons (UK)	Modern Maid Food Products (US)	Food coatings	£23m	Dalgety sells, cuts debt
BICC (UK)	KWO (Germany)	Cables	£23m	Buy from Treuhand
Titanium Industries (US)	Titanium Intl/Reactive Metal Fabricators (UK)	Industrial materials	£7.5m	Combined price
Bank of Scotland (UK)	Finanziaria Italiana Mutui (Italy)	Financial services	£6m	45% stake
Watts Blake Bearne (UK)	Unit of Southern Clay Products (US)	Ceramics	£3m	Planned Laporte disposal
ABN Amro Bank (Holland)	Hoare Govett Europe (UK)	Stockbroking	n/a	SecPac sells European ops
Elf Aquitaine (France)	Unit of BP (UK)	Oil refining	n/a	BP continues disposals
Reemtsma (Germany)	Debrecen Tobacco Factory (Hungary)	Cigarettes	n/a	Complete sector privatisation
GE Capital (US)	Avis Lease (Belgium/US)	Vehicle leasing	n/a	GE reinforces European growth

Source: FT Mergers + Acquisitions International

LEGAL NOTICES

AUTHORITY BANK LIMITED

Notice is hereby given that a meeting of creditors in the above matter is to be held at Pannell Kerr Forster, 78 Hatton Garden, London EC1N 8JA on the 23rd day of March 1992 at 10.30 am under Section 14(2) of the Insolvency Act 1986 to receive a report on the conduct of the Administrators under the Insolvency Act 1986 and to consider proposals for its future conduct. Proxy forms should be completed and returned to me by no later than 12.00 noon on 20 March 1992 if you cannot attend the meeting and wish to be represented.

J G Baird for the Joint Administrators
Dated 24th February 1992

CONNECTOR MOULDS (SCOTLAND) LIMITED (IN RECEIVERSHIP)
Registered number: 2363358

Nature of business: Engineering and allied industries
Trade classification: 07
Date of appointment of joint administrative receivers: 21 February 1992
Name of person appointing the joint administrative receivers: National Westminster Bank
T R Harris and C J Hughes, Joint administrative receivers (office holder 2128 and 1411) of Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ

COMPANIES AND FINANCE

Swedish banks to buy Fermenta unit

By Robert Taylor in Stockholm

A CONSORTIUM of Swedish banks has agreed to buy Independent, the financial subsidiary of Fermenta, the Swedish industrial group, for SKr1. The proposed deal will enable Fermenta to continue its other business activities in health care and property.

The preliminary agreement ends two weeks of intensive negotiations between Fermenta and the banks. The talks were the result of Independent suffering heavier-than-expected losses last year which halved its share capital.

Under the deal, Fermenta has also agreed to buy for SKr350m ($59.3m) Independent's 99 per cent stake in Elector, the Swedish property company, and its 13 per cent stake in the Spanish real estate company AFISA, as well as Independent's outstanding loans to Elector.

For its part, Independent is selling its shares and options in Independent Estates, its English property company, for SKr1 and at the same time relinquishing its remaining claims on Estates which has a book value of around SKr111m.

Through its acquisition of Elector, Fermenta will acquire properties valued at around SKr700m, although the company said there may have to be a downward adjustment of their assets by between 10 and 20 per cent this year.

Both sides said they hoped the agreement would provide the financial conditions for Fermenta to carry on. The biotechnology company has had a troubled history since it was founded in 1986 by Mr Refaat El-Sayed, who was convicted of fraud and sent to prison.

In November 1989, it launched a bid to become a large finance company when it merged its subsidiary Independent with Infina in a deal worth SKr1.8bn. For a time it seemed to have thrown off the stigma of financial scandal with a 128 per cent rise in profits in 1989 to SKr251m.

But by the autumn of 1990 it was being hit badly by the growing troubles in Sweden's finance sector caused by a liquidity squeeze.

Last September, Fermenta's chairman and chief executive were forced to resign after failing to report certain share transactions to the Fermenta board and a bank consortium agreed to provide Independent with a SKr4bn credit line until April 1993.

Fed reforms foreign exchange trading

By Patrick Harverson in New York

THE Federal Reserve Bank of New York has said that securities firms which meet its capital standards will be allowed to trade directly with its foreign exchange desk.

Until now, the New York Fed has only bought and sold dollars through commercial banks when intervening in the currency market.

The move mirrors similar reforms in the US Treasury market, where the primary dealer network has been opened up to allow a wider range of financial companies to trade government securities directly with the Fed.

Mr Gerald Corrigan, announcing the changes in Phoenix, Arizona, on Friday said the Fed was trying "to bring our relationships with foreign exchange counterparties into broad alignment with the new procedures for primary dealers."

The decision to widen the Fed's trading relationships is an implicit recognition that big securities houses such as Morgan Stanley and Goldman, Sachs, have become significant players in the foreign exchange market.

Becoming a member of the Fed's inner circle of trading partners is a big step for the securities firms.

From now on they will know exactly when the Fed is intervening in the market, an important piece of information for currency dealers.

Japanese tyre-makers decline

By Robert Thomson in Tokyo

YOKOHAMA Rubber and Sumitomo Rubber, leading Japanese tyre-makers, reported lower pre-tax profits for the year to end-December, blaming the decline on increased personnel costs linked to Japan's labour shortage and higher interest rates.

Yokohama Rubber said pre-tax profit fell 14.7 per cent to Y12.74bn (98.2m), although total sales rose 3.2 per cent to Y295.15bn and sales of tyres rose 4.8 per cent to Y211.6bn, despite the downturn in Japanese car sales last year.

In common with many other Japanese companies, Yokohama reported a fall in liquid assets, particularly in cash, which declined from Y16.8bn to Y5.35bn. Companies, unable to raise new funds on an ailing stock market and balking at higher interest rates, tapped their liquid assets.

Yokohama expects the weakness in the Japanese vehicle market to be reflected in slower sales this year, but is hoping new products will stimulate demand.

It said the "difficult conditions" would be exacerbated by an appreciation of the yen and an increase in trade friction.

For the year, Yokohama expects sales to rise by about 3 per cent to Y305bn, with pre-tax profit slightly lower at Y12.3bn, and after tax profit falling from Y6.9bn to Y6.7bn.

Sumitomo Rubber reported a 1.7 per cent decline in pre-tax profit to Y11.54bn on a 3.9 per cent increase in sales to Y254.36bn.

The company said that sales rose for new product lines, particularly tyres for snow conditions, while sales of sports and related equipment advanced 7.5 per cent during the period.

This year, Sumitomo is predicting an almost 6 per cent increase in sales to Y270bn and a slightly higher pre-tax profit at Y12bn.

After-tax profit, which rose 30.2 per cent to Y7.2bn last year is expected to decline to Y6bn.

Porsche sees profit, but fewer sales

By Andrew Fisher in Frankfurt

MR ARNO BOHN, the chief executive of Porsche who threatened to resign unless the supervisory board renewed his contract beyond the end of this year, said the company faced hard times but would make a profit this financial year.

His statement comes at a time of renewed speculation about the future of the German luxury sports car company. Toyota, the Japanese motor group, denied a report in a German magazine that it had offered DM5bn ($3bn) to buy Porsche.

After Mr Bohn's ultimatum, the supervisory board confirmed his contract would be extended for a further three years after December. This was done at a meeting on Wednesday of the non-executive board, which contains representatives of the controlling Porsche and Piëch families.

Arno Bohn: speculation over group's future

Mr Bohn made no comment about the attitude of the supervisory board, which had failed to confirm, by the necessary two-thirds majority, at its previous meeting last week that his contract would be extended. Wednesday's vote, which only needed a simple majority, was unanimous.

He said Porsche would sell fewer cars this year than the 26,200 sold in 1990-91.

However, the Stuttgart-based company would gain a new impetus in the mid-1990s with its new sports car, which would be cheaper than those in its present range, though still aimed at wealthy buyers.

In its last financial year to July, 1991, Porsche's net profits plunged by 70 per cent to DM17m as a result of both falling sales and provisions of around DM60m to cover future business risks and job cuts.

The company is putting 4,000 of its 9,000 employees on short-time between April and June. It is also shedding 550 production workers.

Net profits at Rabobank advance to Fl 1bn

By Ronald van de Krol in Amsterdam

RABOBANK, the Dutch co-operative bank, posted a 4.2 per cent rise in net profit last year, about half the rate of growth seen in 1990.

Net profits increased to slightly more than Fl 1bn ($312.5m) from Fl 971m in 1990, when profit had shown an 8.1 per cent rise.

The Netherlands' second-largest bank, which is not listed on the Amsterdam bourse, said that it was likely to register some profit growth in 1992, despite an expected lower rate of lending.

Gross profits in 1991 were up 8 per cent at Fl 2.18bn.

Higher taxes and a bigger allocation to general provisions against risks accounted for the slower rate of growth at the net profit level.

Rabobank described 1991 as a satisfactory year on balance, noting that banking activity and lending were barely affected by the less favourable performance of the Dutch economy.

Lending to the private sector showed a 9.6 per cent rise in 1991, down only slightly from the 10.2 per cent increase in 1990.

However, Rabobank's costs rose faster than revenue, due mainly to higher pay awards in the Netherlands' banking sector.

Total costs were up 13.8 per cent at Fl 4.39bn while total revenue posted an 11.8 per cent gain to Fl 6.57bn.

Rabobank, which is pursuing a cost-cutting programme, said costs were expected to show a slower rate of growth in 1992 than in 1991.

Axel Springer to omit dividend

By Christopher Parkes in Bonn

AXEL SPRINGER, one of Germany's leading media groups, will pay no dividend for 1991 because of losses in foreign operations and high start-up costs in the east German newspaper market.

The payout last year was DM12 a share. After-tax profits, which fell to around DM20m ($12.5m) compared with DM65m in 1991, would be paid into reserves, the company said.

Turnover during the year had increased by only 4 per cent to DM3.7bn.

Springer last year started a restructuring programme under its new chairman, Mr Günter Wille, which included the closure of a Spanish tabloid newspaper, *Claro*.

Later this year, the loss-making *Die Welt* will move offices from Bonn to Berlin and will be given a complete face-lift aimed at boosting sales, currently 230,000 a day, and lifting advertising revenues.

The paper, a conservative daily, comparable in tone with *The Times* in the UK, is believed to lose more than DM40m a year.

While the management wants to brighten up the paper with a new look, comparable with that of *USA Today*, the editorial staff would prefer to keep the sober image and increase pagination.

The group, in the middle of a DM800m printing press investment programme in east Germany, is also being hit by losses on daily papers taken over in Rostock and Leipzig.

Nokia registers FM324m loss as sales decline 16%

By Robert Taylor

NOKIA, Finland's leading electronics and telecommunications group, suffered a FM324m ($72m) loss before financial items last year, compared with a FM711m profit in 1990.

Sales dropped by 16 per cent to FM15.5bn from FM22.1bn in the previous year. This was mainly due to a sharp decline in demand in recession-hit Finland, the cessation of trade with the former Soviet Union, and a weak demand for Nokia's consumer electronic products.

The board proposed cutting the dividend to FM2.00 from FM2.80 per share. Nokia said 1992 would provide good opportunities for growth in many areas, but admitted there was uncertainty about the economic prospects in its main European market areas.

The group's liquidity amounted to FM3.7bn, up from FM3.2bn, while it invested FM868m, or 6 per cent, of its net sales on fixed assets.

Nokia's electronics business division reported a FM230m operating loss last year, against a FM550m profit, while its sales fell to FM5.281bn from FM6.399bn due to falling demand for televisions and video-recorders.

The operating profit fell sharply in the cables and machinery division to FM97m from FM383m in the previous year, and sales declined to FM4.719bn from FM5.359bn.

The group did not reveal details of its financial results in mobile phones and telecommunications but said mobile phones had made a satisfactory return on net assets of between 10 and 20 per cent and telecommunications a "fair" one of between 0 and 10 per cent.

Mobile phone sales rose to FM2.516bn from FM2.333bn. The group strengthened its position as the world's second largest cellular phone manufacturer, increasing its market share.

GFB to offer $500m of stock overseas

By Damian Fraser in Mexico City

GRUPO Financiero Bancomer (GFB), the holding company comprising Mexico's second largest bank, announced that it is to offer $500m of its stock in the US and European markets in the coming weeks, in part to enable it to meet a final payment of $1.73bn due to the Mexican government by April 6.

A group of investors headed by Mr "Don" Eugenio Garza Laguera, whose family owns around 85 per cent of the large conglomerate Grupo Visa, bought 56 per cent of Bancomer from the Mexican government last year for a sum that has risen to $2.88bn, after including accumulated interest on outstanding payments.

Grupo Visa in turn owns 60 per cent of Femsa, best known for its breweries that provide Mexico with half its beer.

Mr Laguera's bidding group borrowed $600m last October from JP Morgan, the US investment bank which is managing the equity deal, to meet an earlier payment.

The bridge loan was secured against assets in Femsa.

Mr Othon Ruiz, chief executive of Visa, said Femsa had received binding proposals in the soft drink and packaging businesses [of Femsa] which would enable them to pay back the bridge loan soon.

Femsa owns the Coca-Cola franchise in Mexico City, the largest such franchise in the world.

US paper group to acquire 11% of Scitex

By Judy Maltz in Jerusalem

INTERNATIONAL Paper, the US paper group, is to buy 11 per cent of Scitex, the Israeli manufacturer of computer imaging equipment, for $209m.

Scitex will sell the New York-based International Paper 4.75m newly-issued ordinary shares in a private placement.

The deal is still subject to the final approval of the respective boards of Scitex's two major shareholders – IDB Holding Company and Clal – and of International Paper. Each group would hold about 11 per cent of the shares in Scitex.

Mr Arie Rosenfeld, Scitex's president and chief executive officer, said Scitex and the imaging products division of International Paper were already considering joint development projects, incorporating Scitex electronic imaging technology with International Paper's film, plate and consumables know-how.

Scitex, Israel's most profitable company, announced a net profit of $100.6m, or $2.70 per share, for 1991, an increase of 31 per cent over the previous year.

The company, whose shares are traded over-the-counter in New York, increased its revenues 22 per cent last year to $430m.

Several months before his death, the late Mr Robert Maxwell had sold his 20 per cent holding in Scitex for $250m in order to help ease his debt problems elsewhere.

Canadian developer to bid for stake in stores group

By Bernard Simon in Toronto

CADILLAC Fairview, the Toronto-based property developer, will bid for control of a troubled chain of Canadian clothing stores. The move reflects the ripple effect of the North American retailing slump on shopping mall owners.

The bid will keep the 118-store Grafton-Fraser group in business, including 25 outlets which are key tenants in Cadillac Fairview shopping centres.

CF and a senior Grafton-Fraser executive plan to buy a 90 per cent interest in the chain, which is operating under the protection of the Company Creditors Arrangement Act and has already shrunk to about half its previous size. CF and its partner will provide up to C$6m (US$5.45m) in bridge finance to Grafton-Fraser.

Earlier this year, CF and a group of other shopping centre landlords threatened to put Grafton-Fraser into bankruptcy if they were not consulted about the company's restructuring plan.

The developers feared Grafton and other troubled retailers were using the Creditors Arrangement Act, which is similar to Chapter 11 of the US bankruptcy code, to pick and choose which leases to maintain, based on the traffic through individual shopping malls.

The mall developers are especially concerned about the viability of relatively new shopping centres in outlying suburban areas which were built in the latter stages of the last property boom. Many of these malls have high vacancy rates and remaining tenants are having difficulty paying the rents which they locked into three or four years ago.

Alba seeks sale of stake in Signet Banking

By Tom Burns in Madrid

CORPORACION ALBA, the Spanish holding company controlled by the powerful March family group, is seeking to sell its 15.5 per cent stake in Signet Banking Corporation, the US bank.

The disposal of the conglomerate's financial arm in the US comes in the wake of its plans to raise as much as Pta50bn ($277m) from the sale of its electric utility interests in Spain. The move also underlines an apparent strategic shift by Alba aimed at realising as many of its assets as possible.

The March group, run by brothers Juan and Carlos, has denied reports it is seeking to sell its retail banking network, Banco Urquijo.

It is understood, however, to be seeking a partner for its investment banking subsidiary Banco de Progreso, both of which come under the Corporacion Alba umbrella.

Alba's consolidated net profits last year fell to Pta10.4bn. The decline was blamed on the reduced income of its Aragonesas chemical group which owns the utilities that have been put on the market.

American Express and Banamex deal

AMERICAN Express and Banamex, Mexico's largest bank, have formed a joint venture, known as Banamsa, to provide financial services to the fast-growing Mexican market, writes Damian Fraser.

The new company will start by offering in Mexico an American Express gold card, co-branded with the Banamex name. Mr Roberto Hernandez, the president of Banamex, hoped 500,000 customers would subscribe to the card within three years. Banamex will market the new card in its 725 branches.

NRI TOKYO BOND INDEX

December 1983 = 100	27/02/92	Average yield† (%)	Last week	12 wks ago	26 wks ago
	PERFORMANCE INDEX				
Overall	172.05	5.51	170.62	166.65	159.57
Government Bonds	169.68	5.39	169.22	164.95	157.68
Municipal Bonds	172.13	6.00	172.00	168.99	161.69
Govt.-guaranteed Bonds	174.70	5.97	174.55	171.16	164.07
Bank Debentures	167.16	5.22	166.59	162.80	156.25
Corporate Bonds	173.49	6.30	173.28	169.10	161.56
Yen-denom. Foreign Bonds	177.72	6.87	177.49	173.33	167.10
Government 10-year†	5.64		5.63	5.88	6.36

† Estimated par yield

Source: Nomura Research Institute

CONTRACTS & TENDERS

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Traders sit tight ahead of Budget

THE GILT market is showing all the characteristics of a rabbit caught in a car's headlights.

Apart from Thursday's exhaustion of the Bank of England's latest tap stock, poor trade figures and a three-point lead for Labour in an opinion poll failed to provoke much activity in the market.

Like the rabbit, the market is showing signs of paralysis, not daring to move until the Budget, followed closely by the election, ends the uncertainty hanging over gilts.

The market appears to be shrugging off the bad news in the hope that some good news will be generated by the Budget.

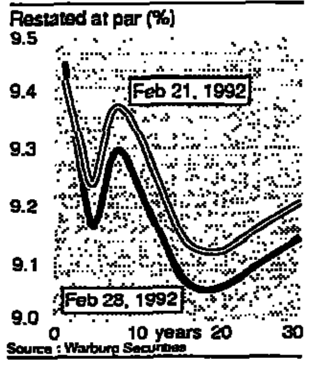
As Mr Mark Cliffe, chief economist at Nomura Research Institute, said: "Everybody is looking at the Budget to provide the vital spark that will give the Conservatives a convincing lead in the opinion polls."

So, unless next week delivers any shock poll forecasts, it is hard to imagine the market doing anything dramatic on the downside before the Budget on March 10. And with little economic data next week, the market should trade in a fairly narrow range.

All this helps explain not just the stagnation in the market, but its general robustness in the face of a run of bad economic data.

UK gilts yields

Restated at par (%)



Source : Warburg Securities

Take the trade figures. Even with the usual government warning not to read too much into one month's figures, January's trade deficit came as a shock.

The current account deficit virtually doubled from £409m in December to £794m in January as the value of exports fell by 7.5 per cent over the month. The value of imports also fell, but by less than the fall in exports.

But reaction in the gilt market was muted. The generally positive mood was only slightly dampened with the 2003/07 bond gaining a point on the day.

The coolness with which the markets have received the bad news suggests a certain amount of complacency over the outcome of the general election. Either this reflects indifference to the outcome or confidence that the Conservatives will win. A Reuters survey of 41 economists showed they were split between a Conservative victory and a hung parliament.

Speculation over a base rate cut will continue next week. Gilts specialists said money market rates should fluctuate on continued hopes of a cut, but the authorities were only likely to relax monetary policy once they had gauged sterling's reaction to the Budget.

This means that with the Conservatives likely to announce the election by the end of Budget week, the opportunity for cutting base rates has been effectively limited to between March 11 and March 13, since they are unlikely to cut interest rates during the election campaign.

The only significant activity over the week was the exhaustion on Thursday of the Bank of England's tap stock – with a 9 per cent coupon maturing in 2012 – when gilts opened marginally higher.

The tap has acted as a ceiling at the long end of the market. Now it has shifted, analysts say prices are free to rise higher.

With so little activity in the market, analysts were generally unable to pin-point the reason for the tap stock's exhaustion. One suggestion was that the market-makers had left themselves slightly short.

There was no new issuance from the Bank of England on Friday but plenty of speculation as to how the Bank would handle issuance over the budget.

Some gilts specialists expect to see a tap tranche of around £1bn issued at the beginning of this week, which the Bank will allow to sit on its books, ready and waiting to be tapped by bubbly post-Budget markets. The consensus was that it would be a short-dated tranche.

Prices crept slightly upwards last week. The 9 per cent conversion stock (type-B), due in 2011, rose about half a point on the week, yielding 9.16 per cent at the close on Friday.

Emma Tucker

JAPANESE BONDS

Growing pressure to ease monetary policy

AMID calls by leading politicians for an imminent cut in the official discount rate (ODR) and further evidence of a weakening economy, yields on Japanese government bonds have fluctuated in thin volumes.

Speculative trading by dealers created volatile movements in the bond market. But lack of investor participation ahead of the fiscal year-end in March has left the yield on the 129 10-year benchmark bond around the 5.35 per cent level, unchanged from the beginning of the year.

Market participants were shocked by remarks from Mr Shin Kanemaru, vice-president of the leading Liberal Democratic Party, threatening to "sack" Mr Yasushi Mieno, the Bank of Japan (BoJ) governor, if the ODR was not lowered soon. Mr Kozo Watanabe, minister of international trade and industry, has urged the BoJ to ease monetary policy on several occasions.

Traders fear pressure from politicians could delay the expected easing of the ODR. "Mr Mieno has worked sedulously to establish the independence of the Bank of Japan and may want to postpone a discount rate cut," said Mr Marshall Gittler, bond analyst at UBS Phillips & Drew. He added such a decision could have severe repercussions in the market, since monetary easing has already been discounted into bond prices.

Recent warnings of a downward revision in earnings for the current year by leading Japanese companies have confirmed the mounting sluggishness of the economy. Sony, the electronics company, recently announced it would report an operating loss of Y20bn for the year to March, its first loss since listing on the Tokyo exchange. Monetary growth has also decelerated to record lows, with money supply falling to 1.8 per cent in January.

Bond market participants are now focused on the announcement of the BoJ tankan – the quarterly survey on business sentiment – scheduled for Friday. The report is expected to confirm negative outlook by businesses, with cuts in capital investment.

Mr Kermit Shoenholtz at Salomon Brothers said the tankan, fourth-quarter GNP figures to be announced mid-March, and weak corporate earnings announcements should be good news for the bond market. Mr Shoenholtz reckons the rate on the benchmark bond should fall 50 basis points in the next few months.

However, a further fall in long-term rates could reduce the attractiveness of long-term bonds for institutional investors. Trading volume of the benchmark has already fallen to Y10,700bn in February, down from Y28,500bn a year ago, as investors are now turning to short-term bonds and bank debentures.

Thin volumes are expected to continue to the end of next month. Most investors have closed down books for the fiscal year and are reluctant to take positions. Concerns over excess supply due to corporate bond issues, and slack demand also linger over the market.

Meanwhile, the yield curve, which flattened out last September, has normalised. Short-term rates have fallen in line with the ODR, with the rate on the three-month certificate of deposit closing at 5.1 per cent last week, down from December's 6.1 per cent level.

Emiko Terazono

US MONEY AND CREDIT

Jobs news still the dominant factor

THE NEXT five days will test the strength of the US Treasury market's recent rally. After a difficult February, bond investors enjoyed a good run over the second half of last week on the heels of bad consumer confidence data and an unexpected revival in retail demand for new Treasury stock.

From Tuesday to Friday, the yield on the benchmark 30-year bond fell from more than 8 per cent to below 7.8 per cent. The 20 basis-point decline was welcome, not least for those who feared higher market rates would stifle the modest revival in the housing economy since the beginning of the year.

Whether the more upbeat mood of the market can hold this week, however, is another matter. As is almost always the case, employment news holds the key, in the shape of this Friday's jobs report for February.

The state of the labour market remains a dominant influence on economic trends. The steady rise in the number out of work, and concern about personal job prospects, has spooked consumers, so much so that spending and confidence have remained stuck at worryingly low levels, despite the Federal Reserve's aggressive interest rate cuts.

This is why Friday's employment report is so important. Most market estimates call for little change in payroll numbers and a slight rise in the unemployment rate, probably from 7.1 per cent to 7.2 per cent. The weekly jobless claims reports for February so far have been up and down, which suggests the overall number out of work may have held steady during the month.

A bad set of figures, however, such as a big fall in civilian payrolls and/or a rise in the jobless rate of more than 0.1 percentage point, could persuade the Fed to cut interest rates again, which would be good news for bonds, at least in the short-term.

While no one can be sure how the employment report will fall, there is one certain factor working in the market's favour over the coming weeks: supply. The next auction of medium and long-term securities is not due until mid-April, which gives the market six weeks' breathing space to construct a decent rally.

The influence of supply on recent market movements has been substantial. Bond prices fell sharply during the first three weeks of February because dealers had difficulty offloading billions of dollars of new Treasury debt. Not only did the market suffer from the continued absence of Japanese investors, but until the middle of last week (when the five-year note auction went well) domestic retail investors were also staying away from new Treasury issues.

Their caution was partly the result of uncertainty about the outlook for the economy – recent data has provided an inconsistent guide to the future – and partly because of concern the Fed and the government will over-stimulate the economy and bring back inflation.

Investors fear over-stimulation on two fronts. They worry that election-year pressure will produce an over-aggressive tax-cutting package that inflates the budget deficit and loads extra supply on the market. This, of course, assumes President George Bush and Congress can come to an agreement over where to cut taxes and how to pay for it.

Some bond investors are also worried the Fed, scared by the depressed state of consumer confidence and the continued deterioration of the labour market, will overdo the interest rate cuts, accelerating the growth of money and eventually pushing up inflation.

Judging whether the Fed will cut rates again proving difficult, thanks mostly to Fed chairman Mr Alan Greenspan's muddled Humphrey-Hawkins testimony to Congress.

Although he was upbeat about the economic outlook, he also described last Tuesday's dreadful consumer confidence figures as "quite disturbing", and later left the impression that rates would come down again if the employment numbers this week were bad.

Mr Greenspan's apparent willingness to ease again has drawn its fair share of criticism. The inflation hawks' position was perhaps best summed up last week by a comment from Ms Amanda Grantham-Hill, US economist with Paribas Capital Markets in London, who said a rate cut would do little to enhance the Fed's credibility. She continued, in stinging style: "Although guaranteeing a second term as chairman of the Federal Reserve, his recent performance suggests Mr Greenspan wouldn't be offered a second interview at the Bundesbank."

Patrick Harverson

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	4.19	3.75	3.62	11.00	2.00
Three-month Treasury bills	4.02	4.02	3.82	8.29	3.76
Six-month Treasury bills	4.12	4.18	3.89	7.70	3.89
Three-month prime CDs	4.18	4.25	4.02	7.17	4.01
30-day Commercial Paper	4.15	4.20	3.90	7.12	3.90
90-day Commercial Paper	4.15	4.20	4.00	7.02	3.92

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	97 [illegible]	+[illegible]	6.91	7.07	6.77
10-year Treasury	101 [illegible]	+1 [illegible]	7.25	7.44	n/a
30-year Treasury	102 [illegible]	+1 [illegible]	7.79	7.94	7.77

Source: Salomon Bros (estimates).

Money supply: In the week ended February 17, M1 rose by $4.5bn to $931.6bn. M2 rose by $4.6bn to $3,481.7bn.

FT/ISMA INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHT	Issued	Bid price	Chg on week	Yield
ABBEY NATIONAL 9 3/4 96	200	107	+¼	5.92
ABN 9 1/8 94	200	105¼		6.62
AETNA LIFE & CAS 7 3/4 16	200	101¾		7.57
ALBERTA PROVINCE 8 5/8 96	750	105½	+¼	7.20
ALBERTA PROVINCE 9 3/8 95	600	108¼	+¼	6.77
AMERICAN EXPRESS ZERO 00	450	47¾	+⅛	8.74
AMERICAN GENERAL 9 3/4 95	100	103⅝	+¼	7.75
AMERICAN INTL 0 04	750	35¼	+½	8.63
ASIAN DEV BANK 0 04	1000	36¼	+⅛	8.45
ASIAN DEV BANK 8 96	100	102¼	+¼	7.29
AUSTRALIA 11 95	200	111½	+¼	6.90
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
RALSTON PURINA 11 3/4 95	150	111½		7.52
REED PUBLISHING 9 5/8 97	150	107½	+¼	7.87
SAINSBURY 9 1/8 96	150	105⅝	+⅛	7.54
SAS 10 99	200	106	+¼	8.81

Bond	Issued	Bid price	Chg on week	Yield
SAS 10 1/8 95	150	107	+¼	7.87
SBAB 9 1/2 95	500	107¼	+¼	6.75
SBC FINANCE 7 3/4 96	200	102⅝	+⅛	7.04
SEAGRAM CO 8 1/2 96	100	102¼	+¼	7.83
SEARS EURO TRUST 8 3/4 96	750	102¼	+⅛	7.93
SEARS O/S FIN 0 98	900	58⅝	+¼	8.74
SEARS ROEBUCK EURO 9 3/4 95	500	104⅞	+¼	7.92
SNCF 7 1/4 94	175	103	+¼	5.55
SNCF 9 1/2 98	150	109⅞	+¼	7.48
STATE BK NSW 8 1/2 96	200	103½	+¼	7.51
STATOIL 7 5/8 94	200	102	+¼	6.51
SWEDEN 8 1/8 94	150	104¼	+¼	6.11
SWEDEN 9 1/4 98	350	108⅝	+⅛	7.41
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SWEDEN 6 1/8 98	300	92¼	-¼	7.78
TURKEY 10 3/4 96	500	101	+⅝	10.44
WORLD BANK 0 15	2000	21¼	+½	6.62
WORLD BANK 5 3/4 96	300	92¼	+⅛	7.91
WORLD BANK 8 3/4 00	1250	105½	-¼	7.87

SWISS FRANC STRAIGHTS	Issued	Bid price	Chg on week	Yield
ASIAN DEV BANK 6 10	100	91½	-¼	6.81
AUSTRIA 4 5/8 98	100	90¼	-¼	6.66
CHUBU ELEC POWER 6 3/4 01	300	100		6.74
COUNCIL EUROPE 4 3/4 98	250	91	-¼	6.62
EEC 5 1/2 00	100	91½		6.82
EIB 6 1/2 98	600	101	+⅛	6.30
ELEC DE FRANCE 7 1/4 06	100	104½	+½	6.74
FINLAND 5 3/8 95	150	96½	+½	6.46
GENERAL MOTORS 7 1/2 95	100	99½	-1¼	7.68
JAPAN DEV BK 5 1/2 94	100	96½	-½	7.49
KOBE 6 3/8 01	240	98¼	+¼	6.55
NEW ZEALAND 4 7/8 99	200	90¼	+⅛	6.58
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EQUITY WARRANTS	Expiry	Price	Chg on week	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NISSHIN STEEL	[illegible]	7½	-1¼	42.75
ROYAL HOTEL	18/04/96	3	-¼	87.47
SMC	14/03/95	3¼		49.38
TAKASHIMAYA	25/07/95	4¼	-⅛	
TOYO SASH	02/07/96	17	-2¼	17.10
YAMANOUCHI PHARM.	05/08/97	3¼	-⅝	
	01/03/94	18¼	+⅛	14.11

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.

Closing prices on February 28

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

Japanese utilities set to test demand

INTERNATIONAL demand for dollar bonds will be tested again this month, following January's new issue glut and a virtual famine in February.

Several big new issues are expected over the next two to three weeks. One source of new paper is likely to be Japan, where the power utilities are preparing to raise funds. Payment date for the bonds will be after Japan's fiscal year-end on March 31, allowing companies to account for the borrowings in 1992-1993.

The three biggest of Japan's nine power utilities, Tokyo Electric Power (Tepco), Kanzai Electric and Chubu Electric, are preparing new issues. Nippon Telegraph and Telephone, the telecommunications utility, is also close to launching a Eurodollar market deal.

Most of these borrowers want fixed-rate yen funding to finance domestic operations. Hence, new Eurodollar issues are likely to be at around the five-year maturity, where the dollar/yen swap rates are most attractive. Each deal is likely to be of at least $350m.

There is certainly some demand for shorter maturity Eurodollar bonds from European retail investors. This is based on the view that the US currency will appreciate on the foreign exchange markets over the next few months, presenting holders of dollar bonds with a capital gain.

However, big institutional buyers are keener to buy long-dated paper on the grounds that US bond prices will rise as economic recovery falters and the inflation outlook improves.

These buyers of longer maturity bonds were starved of new paper last month. Eurodollar issues of over five years maturity amounted to just $2.3bn during February, down from $6.1bn in January. With this in mind, Japanese borrowers queueing to tap the market may be tempted to launch longer-dated issues, even though swap opportunities are less attractive.

One borrower known to be planning a 10-year issue is the African Development Bank. The supranational lending agency plans to make a $300m issue, lead-managed by Swiss Bank Corporation, which will be its first foray into the Eurodollar market.

Taken together, the market is anticipating specific new issues amounting to at least $1.5bn, even before the month has begun. Other regular issuers, such as Crédit Local, the French state-backed local authority funding agency, are also likely to issue if underwriting firms can match their funding targets – in this case, around 20 basis points under the London interbank offered rate.

It remains to be seen whether underwriting firms have learned from the sobering experiences of January, when $8.1bn of new Eurodollar bonds, many aggressively priced, were launched. Market rumour is that some firms are still holding substantial inventories of unsold paper.

● British Petroleum has had its Aa8 long-term credit rating placed on review for possible downgrade by Moody's Investors Service. The agency said its review would focus on the impact of lower oil prices on BP's financial flexibility.

Simon London

EUROMARKET TURNOVER ($m)

	Primary Market US $	Primary Market Non-$	Secondary Market US $	Secondary Market Non-$
Fixed income bonds				
Euros straight	852.5	1,509.2	23,922.2	45,848.3
Other straight	0.0	1,394.1	519.4	94,065.8
Convertible	0.0	0.0	1,058.1	1,357.8
Money market instr				
FRN	315.0	0.0	6,946.4	3,758.3
CD's	125.0	8.7	1,414.0	419.1
Short $ MT Notes	16,889.6	5,377.4	8,151.7	10,722.8
Warrants	0.0	6.3	666.6	360.7
Equities	44.9	0.0	299.4	1,407.7
Total	18,227.0	8,295.7	43,177.8	157,940.5

	Cedel	Euroclear	Total
US$	23,450.1	37,954.7	61,404.8
Other	57,161.2	109,075.0	166,236.2

Week to February 27 1992

The Warrants and Equities figures are from Euroclear only. Source ISMA

SYNDICATED LOANS

Banks become concerned over falling margins

REMEMBER how lending to large companies was meant to be getting profitable again? After the paper-thin margins of the late 1980s, the capital shortage afflicting many parts of the banking industry was meant to have led to a rapid widening in loan margins.

That is the theory. In reality, however, margins on large corporate loans are still far too low to bring banks a profit. And now, it seems, they could be heading down again.

Concern about falling margins is troubling many banks active in London's loans market. The cause of their concern is simple: demand for bank credit remains sluggish, while the potential supply has begun to expand again as banks succeed in rebuilding their battered capital bases.

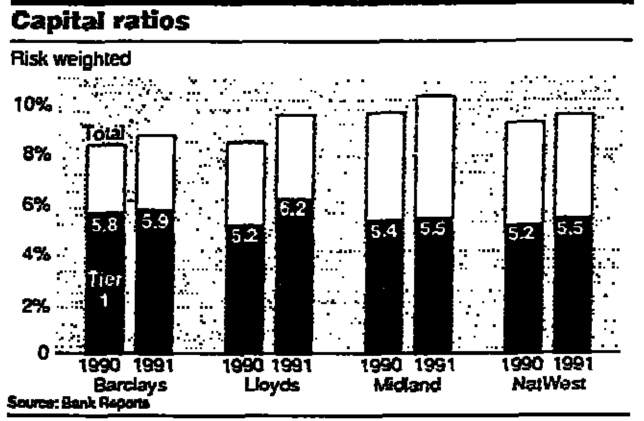
Lending margins reached a plateau last autumn, having risen almost constantly over the previous 12 months. As a rough norm, banks are now lending money in the public syndicated loans market at a spread of ½ percentage point (50 basis points) over the London Interbank Offered Rate – though that margin widens substantially for companies whose credit standing has weakened during the recession, or where the lending is project-related or otherwise non-standard.

At ½-point, no banks are making money – though after tortuous internal arguments about cross-subsidisation, many can make an argument for staying in the loans business. The provision of a standby facility is a necessary part of the overall range of services provided to a customer, runs this argument: provided the overall relationship is profitable, there is no harm lending money at a loss.

Most banks reckon they need a margin of between 1.2 and 1.4 per cent to break even on lending to large corporates. According to Mr Alan Moore, head of corporate banking at Lloyds Bank, a spread of 0.75 to 0.80 point is needed just to cover cost of the bank's capital needed to support its lending. Even that is after a fall in the bank's cost of capital recently, from around 18 per cent to perhaps 15 per cent, he said.

Capital ratios

Risk weighted



Source: Bank Reports

Add in a margin to cover a bank's costs, the need to build a reserve against future bad loans and a retention to allow for future growth, and the overall cost of lending rises to well over 1 percentage point.

The recovery in bank capital is one of the main reasons why margins could fall again. Over the last 10 days, the UK's four biggest banks have all reported an improvement in their capital ratios. For all four, the key tier-one ratio of core capital to risk-weighted assets improved during 1990, with all of them now at or above the psychologically important 5.5 per cent level.

Also, some foreign banks in London are still reported to be willing to take loans at cut-price rates. "The problem is, there are still too many banks around, and some of them are still looking for marginal income," said Mr Moore.

The demand for credit, meanwhile, is being held back in part by the slow pace of any economic recovery in the UK and US. Many banks in London were last autumn projecting a rise in loan demand this spring: the more prudent are now predicting demand will be slight until at least the autumn.

Meanwhile, many of the four and five-year multiple option facilities (Mofs) negotiated at fine rates by UK companies in the 1980s mature over the next two years. As these are renegotiated at higher rates, banks can look for an improvement in the overall margins on their loan portfolios. However, the renegotiations are likely to have a perverse side-effect, if anything helping to push banks' margins down. With commitment fees (paid by companies on the undrawn part of facilities from banks) almost non-existent at the end of the 1980s, at one stage touching just five basis points, many companies took larger standby facilities than they needed, reasoning there was no harm in having a guaranteed supply of credit on hand.

Now, though, commitment fees, like loan margins, have risen, and companies are shrinking their standby lines. The result: a substantial release of bank capital that had been tied up in standby facilities (banks have to set aside half the usual level of capital for undrawn facilities.) That may drive margins down.

There is, in short, no sign of the recovery in bank margins continuing, unless economic conditions – and loan demand – recover strongly, and soon.

Richard Waters

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Sumitomo Cement♦	150	1996	4	3	100	Nomura Int.	3.000
Republic of Austria†	400	2002	10	7⅞	99.96	Daiwa Europe	7.881
Alisa No. 2(c)‡†	120	1997	5	(c)	100	Nomura Int.	-
Abbey Nat.Treas.Services(f)‡†	100	1996	4	(f)	100.155	Lehman Bros.	-
Autobacs Seven♦	100	1996	4	3	100	Nomura Int.	3.000
Ebara Corp.♦	150	1996	4	3	100	Yamaichi Int.(Europe)	3.000
Alto Parana(j)†	40	1995	3	12	97.579	Yamaichi Int.(Europe)	13.026
Guinness Finance†	200	1995	3	8½	101.025	JP Morgan Secs.	8.116
ANZ Banking Group(m)‡†	125	1995	3	(m)	100	Salomon Brothers	-
Citibank Brazil(n)†	100	1995	3	9¼	99.455	Citicorp Inv. Bk.	9.590
Sumitomo Int. Fin.Aust.(o)‡†	50	2002	10	(o)	101.875	Sumitomo Fin. (Asia)	-
STERLING							
Abbey Nat.Sterling Cap.(d)†	100	2002	9.833	10⅜	100.95	BZW Secs.	10.209
Halifax Building Soc.(g)†	100	2014	21.667	11	102.467	Warburg Secs.	10.696
Skipton B.S.(p)†	25	(p)	(p)	12⅞	100.476	Hoare Govett	-
Great Portland Ests.(t)†	30	2021	29.5	10¾	103.924	Baring Bros.	10.573
ECUs							
Council of Europe(e)†	135	1994	1.833	9⅜	100½	Lehman Bros.	9.037
Nisshinbo Industries♦	100	1996	4	4⅞	100	Nikko Europe	4.875
KFW Int. Finance(k)†	150	1997	5	8½	(k)	Deutsche Bk Cap Mkts	-
Eurofima(s)†	75	1999	7.417	8⅝	102.725	Daiwa Europe	8.107
CANADIAN DOLLARS							
Bell Canada†	125	1997	5.25	8⅞	101.95	UBS	8.387
Prov.of New Brunswick†	200	2002	10	9¼	101.485	Merrill Lynch Intl.	9.018
AUSTRALIAN DOLLARS							
Deutsche Bk. Australia†	125	1997	5	9¾	101.625	Deutsche Bk Cap Mkts	9.330
Soc. Generale Australia†	100	1995	3	9½	101.50	Merrill Lynch Intl.	8.908
LIRE							
Ist.Bancario San Paulo Lon.†	200bn	1997	5	11.7	101.80	Ist.Ban.San Paulo	11.210
D-MARKS							
Osaka Uoichiba♦	100	1996	4	4⅜	100	Nomura Bk GmbH	4.375
Sekisui Plastics♦	100	1996	4	4⅜	100	Yamaichi Bk GmbH	4.375
Toyota Motor Credit†	200	1995	3	8⅜	101.95	Deutsche Bk	7.623
Footwork Intl. Corp♦	60	1996	4	4.375	100	Daiwa Eur.(Deutschld.)	4.375
YEN							
Mitsubishi Estate(q)†	30bn	1999	7.5	6	100.30	Nikko Europe	5.942
Toto†	30bn	1997	7.5	5.7	101.625	Yamaichi (Europe)	5.331
Sumitomo Metal Inds.†	20bn	1996	7.5	5.65	101.25	Nikko Europe	5.307
Sumitomo Metal Inds.†	10bn	1997	7.5	5.75	101.75	Daiwa Europe	5.353
Sumitomo Realty & Dev.Co.†	30	1997	5.25	6	101.80	Daiwa Europe	5.588
Sumitomo Realty & Dev.Co.†	20	1996	4.25	6	101.625	Nikko Europe	5.552
Sumitomo Realty & Dev.(r)†	10	1997	5.25	(r)	100	Salomon Bros. Intl.	-
SWISS FRANCS							
Osaka Bearing(b)★★♦†	20	1996	-	3⅞	100	Nikko (Switz) Fin.	3.875
St.Bk of NSW★★†	75	1997	-	6¾	101¼	SBC	6.450
Aoyama Trading(h)★★§	450	1996	-	3	100	SBC	3.023
Totetsu Kogyo(i)★★♦†	40	1996	-	3⅝	100	Yamaichi Bk (Switz)	3.625
Tjiwi Kimia(l)★★§	50	1997	-	5	100	Credit Suisse	4.996
LUXEMBOURG FRANCS							
Bque.Bruxelles Lambert(a)†	3bn	2004	12	zero	37¼	Credit Europeen	8.577
Credit Europeen†	1bn	2002	10	9	102.50	Credit Europeen	8.617
Renault Credit Intl.★★†	1bn	1995	3	9⅛	102⅛	Credit Lyonnais Lux.	8.296

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate notes. ◆Variable rate note. †Final terms. a) Amount increased from LFr2bn. Non-callable. b) Exercise premium fixed at 2.56%. Callable 12/3/94 at 101% declining ¼% semi-annually. c) Coupon pays 110bp over 6-month Libor. Non-callable. d) Subordinated issue. Non-callable. e) Fungible with existing Ecu365m deal. Non-callable. f) Issued as part of a $5bn Medium Term Note programme. Coupon pays 2bp minus 3-month Libor. Non-callable. g) Fungible with existing £150m deal. Non-callable. h) Put option 31/3/94 at 107¼% to yield 6.59%. Coupon payable semi-annually. i) Callable 12/3/94 at 101% declining ¼% annually. Exercise premium fixed at 2.62%. j) Coupon payable semi-annually. Non-callable. k) Fungible with existing Ecu250m bond launched on 29.01.92. Issue price and fees undisclosed. l) Put option 31 12 94 at 110⅜% to yield 8½%. m) Coupon pays 25bp over 6-Month Libor Rate and payable semi-annually. n) Coupon payable semi-annually. Non-callable. o) Coupon pays 50bp over 6-Month Libor Rate for the first 3 years then 9% fixed thereafter. Coupon payable semi-annually. Non-callable. p) Undated subordinated notes, mandatorily convertible into Permanent Interest Bearing Shares (PIBS). Coupon payable semi-annually. q) Fees undisclosed. Non-callable. r) Coupon pays 60bp below Japanese Long-Term Prime Rate. s) Fungible with existing Ecu75m bond. Fees undisclosed. t) Tranche of £100m. 10¾% First Mortgage Debenture stock 2021

WORLD STOCK MARKETS

AUSTRIA

1992 High	Low	February 28	Price Sch
2,890	2,250	Austrian Airlines	2,810
570	408	Creditanstalt Pf	565
3,830	2,830	EA General	3,800
906	750	EVN	896
13,530	9,850	Jungbunzlauer	11,500
1,074	940	OeMV	1,043
1,630	1,420	Perlmooser Zement	1,590
700	388	Radex Heraklith	646
1,889	1,520	Reininghaus Brau	1,721
308	225	Steyr Daimler	265
456	261	Veitscher Magnesit	426
565	495	Verbund (Br) A	563
5,320	3,950	Wienerberger	5,210
1,200	1,005	Z-Laenderbank	1,050

BELGIUM/LUXEMBOURG

1992 High	Low	February 28	Price Frs.
2,530	2,120	ACEC-Union Min	2,505
2,150	1,760	AG Group	2,100
4,060	3,220	Arbed	3,985
3,520	3,200	BBL	3,470
11,975	11,800	Bank Intl a Lux	11,800
12,000	11,700	Banq Gen Lux Pts	11,725
1,236	960	Barco	1,236
11,725	9,100	Bekaert	11,650
8,800	6,510	CBR Ciment	8,590
5,080	4,800	Cobepa	4,990
5,000	4,780	Cobepa AFV 1	4,880
178	141	Cockerill Priv	163
5,070	4,410	Colruyt	4,890
9,100	7,650	Delhaize Frs Lion	9,050
4,975	4,800	Electrabel	4,955
4,985	4,755	Electrabel AFV	4,985
2,930	2,680	Electrafina ACT	2,695
3,475	3,120	GBL	3,465
3,450	3,110	GBL AFV 1	3,310
1,398	1,192	GIB Group	1,386
1,318	1,156	GIB Group AFV	1,318
398	310	Gechem	370
380	314	Gechem AFV	371
6,680	5,910	Generale Banque	6,590
6,660	5,850	Gen Banque AFV1	6,540
6,940	6,430	Gevaert	6,930
4,700	4,150	Kredietbank	4,620
4,660	4,225	Kredietbk AFV	4,610
13,400	13,000	Pan Holding Lux	13,350
11,125	10,325	Petrofina	10,600
2,640	2,450	Powerfin	2,480
2,600	2,460	Powerfin AFV	2,470
4,445	3,615	Royale Belge	4,430
4,340	3,500	Royale Belge AFV 1	4,340
2,285	1,775	Soc Gen Belge	2,235
2,180	1,775	Soc Gen Belge AFV	2,165
12,050	10,950	Sofina	12,000
13,050	11,550	Solvay	12,475
6,350	5,560	Tessenderlo	5,810
5,950	5,290	Tessenderlo AFV	5,450
8,300	7,730	Tractebel	8,040
8,060	7,650	Tractebel AFV I	7,950
21,100	19,100	UCB	20,650
19,975	18,425	UCB AFV	19,500

DENMARK

1992 High	Low	February 28	Price Kr
760	650	Baltica Holding Reg	665
307	292	Bikuben	294
392	350	Carlsberg A	352
106,500	96,500	D/S 1912 A	97,500
925	548	Danisco	812
342	308	Den Danske Bank	324.50
176	156	East Asiatic	158
690	620	FLS Ind B	625
370	329.60	Great Nordic	335
572	450	Hafnia Hldgs A	500
440	360	Hafnia Hldgs B	366
890	799	ISS Intl Serv B	880
365	330	Jyske Bank Reg	335
1,900	1,650	Lauritzen (J) B	1,820
380	350	NKT A/S	365
833	284	Novo Nord B	520
1,900	1,690	Sophus Berend B	1,830
5,450	5,050	Superfos	5,150
965	859	TopDanmark	930
234	202	Unidanmark A	215

FINLAND

1992 High	Low	February 28	Price Mks
75	64.50	Amer	75
69.50	45	Cultor	66
19.80	15.90	Enso R	18
120	91	Huhtamaki I Free	120
19.80	15.70	KOP	15.80
445	372	Kone B Free	445
83.50	70	Kymmene	78.50
75	50	Metra B Free	71.10
65	48	Nokia Pref Free	63.80
72	54	Pohjola B Free	72
50	41.50	Repola (Free)	49
137	115	Stockmann B	130
14	10.20	Tampella Free	14
19	12.70	Unitas Bk C Free	14.40

FRANCE

1992 High	Low	February 28	Price Frs.
537	441	AGF	537
805	642	Accor	786
765	656	Air Liquide	754
619	536	Alcatel Alsthom	610
1,120	909	Auxil Entrepr	1,050
980	756	Axa	976
695	579	BIC	692
1,194	1,003	BSN	1,103
371	300	BNP Cert Inv	350
529	462	Bancaire Cie	503
635	565	Beghin-Say	625
518	450	Beghin-Say Cert Inv	470

FRANCE (continued)

1992 High	Low	February 28	Price Frs.
2,940	2,400	Bongrain	2,855
625	515	Bouygues	599
1,200	945	CGIP	1,178
194.30	162.50	C M B Packaging	188
1,153	983	Canal+	1,140
323	271	Cap Gemini S	320
2,580	2,291	Carrefour	2,580
173.50	132.20	Casino	169
811	600	Cetelem	810
1,199	885	Chargeurs	1,188
554	400	Club Mediterranee	539
367.30	330	Cogifi	346.50
701	600	Coparex	660
204.80	161.60	C C F	199
1,040	896	Cr Fonc France	989
595	490	Cred Lyon (CI)	566
1,179	916	Credit National	1,116
2,822	2,325	Damart	2,650
425	338	Docks de France	416
319	260	Dollfus Mieg Cie	303
830	710	EBF	810
2,275	2,030	Eaux Cie Genl	2,253
412.80	341.50	Ecco	406
394	352	Elf-Aquitaine	390
274	230	Elf-Aquitaine Certs	265
416	300.50	Essilor Int	401
1,750	1,622	Etex	1,680
1,530	1,243	Eurafrance	1,489
658	551	Eurocom	630
162	140	Euro Disney	153.90
1,520	1,320	Exor	1,495
127.80	117	Finextel	120
651	580	Fonc Lyonnaise	626
2,895	2,280	From C et Aux	2,889
408	302	GTM-Entrepose	393.50
1,565	1,321	Gal. Lafayette	1,510
740	612	Gaumont (Soc N)	640
694	450	Geophysique	678
182.80	131.20	Hachette	180
511	434	Havas	503
333	233.20	Imetal	330.50
879	777	Imm de France	800
719	670	Immobanque	678
170	136	Immob Phenix	149.30
6,870	5,600	Industrielle	6,530
455	438.10	Interbail	449
788	658	Intertechnique	760
4,680	4,159	LVMH	4,611
364	312.20	Lafarge Coppee	356.70
785	716	L'Oreal	779
4,335	3,581	Legrand	4,315
447	375	Legris	429.90
523	422.80	Lyon Eaux Dumez	517
195	155	Matra	188
543	470	Merlin-Gerin	528
173	120.50	Michelin B	172
178	151	Moulinex	178
1,277	1,155	Navigation Mixte	1,170
114.30	85	Nord Est	112.80
270	180	Orsan	270
419.90	305	Paribas	409
269	236	Paris Reescompte	255
1,549	1,190	Pernod Ricard	1,540
1,580	1,212	Perrier	1,517
756	590	Peugeot	740
309	260	Pinault	291.50
520	390.20	Poliet	519
953	724	Printemps (Au)	844
3,275	2,700	Promodes	3,275
635	440	Radiotechn	635
5,530	4,520	Redoute	5,520
625	468	Rhone Poulenc Cts	608
2,230	1,710	Roussel-Uclaf	2,230
615	542	SILIC	557
1,760	1,575	Sagem	1,740
546	430	Saint Gobain	538
1,390	1,178	Saint Louis	1,382
1,225	1,010	Sanofi	1,190
725	541	Schneider	688
2,010	1,660	Seb SA	2,000
494	459	Sefimeg	471
505	445	Simco	454.40
898	790	Skis Rossignol	842
550	450.10	Soc Generale de Fr	536
1,480	1,127	Sommer-Allibert	1,392
352	299	Spie Batignolles	342.50
344.80	282	Suez (Fin de)	338
3,180	2,626	Taittinger	2,772
170	146.50	Thomson CSF	165.30
266.70	243	Total B	243
583	472	UAP	571
342	247	UFB Locabail	337
595	509	Unibail	515
515	454	Union Immob Fr	476
729	550	Valeo	697
293	236	Vallourec	283
380	312.50	Worms Cie	370

GERMANY

1992 High	Low	February 28	Price Dm.
234	199.60	AEG	226
728	635	AG Ind & Verk	722
890	770	Aachen Mch (Reg)	869
2,410	2,110	Allianz AG	2,400
675	560.50	Altana Ind	669
758	607	Asko	736
680	565	Asko Prf	666
254.50	223.60	BASF	251.60
265	212	Badenwerk	264.60
306.80	280.90	Bayer	298
417	383	Bayer-Hypo	415
566.50	477	BMW (Br)	562.50
434	401	Bayer Vereinsbk	430
811	785	Beiersdorf	802
273	238	Berliner Bank	262.50
129.80	111.50	Berliner Kraft	129.50
438	405	BHF Bank	437.50
1,020	880	Bilfing Berg	1,004
1,095	885	Colonia Konzn	1,060
605	515	Colonia Konzern Pf	585
268.50	250.30	Commerzbank	267.20
246	205.50	Continental AG	241.50

JAPAN

INDICES

TOKYO - Most Active Stocks
Thursday 27 February 1992

	Stocks Traded	Closing Prices	Change on day
Mochida Pharm	6.0m	3,320	+400
Clarion	4.9m	1,350	+60
Nippon Mining	4.1m	481	-9
Nippon Carbon	3.4m	1,940	+40
Nippon Steel	2.9m	345	0
Nippon Zeon	2.7m	629	-15
Morinaga Milk	2.5m	710	+15
Tsugami	2.4m	702	+2
Ajinomoto	2.3m	1,410	+10
Kaken Pharm	2.3m	1,400	-30

حكمة منه الأصل

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AUTHORISED UNIT TRUSTS

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
Gilts & Fixed Int	6	120.2	120.2	127.5	8.12	40001
High Inc Equity	6	125.5	128.5xd	136.7	6.22	40002
Worldwide Bond	6	218.9	218.9xd	232.2	6.13	40003
Capital Growth						
American Growth	6	216.5	216.5xd	231.5	.94	40004
Asia Pacific	6	137.1	140.0	148.9	1.28	40005
Assets & Earnings	6	184.2	184.2	197.0	3.18	40006
Capital Reserve Acc	0	113.1	113.1	113.1	7.42	40007
Capital Reserve Inc	0	89.40	89.40	89.44	7.42	47580
Commodity & Energy	6	68.01	68.01	72.75	1.42	40008
1992 Enterprise	6	67.25	67.25	71.92	2.96	46097
Euro Capital Acc	6	90.66	90.66	96.96	1.07	40009
Euro Capital Inc	6	86.62	86.62	92.64	1.08	47581
General	6	168.9	168.9xd	180.6	3.21	40010
Japan	6	86.38	86.38	92.38	–	40011
Mastertrust	6	90.38	90.38	96.66	2.46	40012
UK Growth Acc	6	169.2	176.8	188.0	2.42	40013
UK Growth Dist	6	107.5	112.4	119.5	2.46	40014
US Emerging Cos	6	85.92	87.73	93.55	–	40015
Income & Growth	6	294.7	294.7	315.1	4.44	40016
Ethical	6	53.98	55.32	58.85	2.09	40017
International	6	62.93	63.82	67.89	1.21	46852
Dividend & Growth	6	46.59	47.68xd	50.72	5.91	47071
Global Gwth & Sec	6	53.32	53.60	57.02	2.74	44846
Aberforth Unit Trust Managers Ltd (1600)F						
16 Chester St, Edinburgh EH3 7RA 031 220 0733						
UK Small Cos	0	1097.0	1097.0	1161.0	–	46066
Abtrust Unit Trust Managers Ltd (1200)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5¼	31.58	31.58	33.43	2.35	40019
Cash	0	50.92	50.92	50.92	9.54	43666
European	5¼	71.36	71.36xd	75.69	0.30	40020
European Income	5¼	71.88	72.16xd	76.32	1.61	41377
Exempt	1	817.9	817.9	844.7	4.83	41379
Extra Income	5¼	36.41	36.41	39.57	6.26	40021
Far East Emerg Ecos	5¼	55.02	55.02	58.96	1.08	41380
Fund Inv Tst	5	110.7	114.4	122.2	1.40	40100
Fund Inv Tst Acc	5	180.8	186.9	199.5	1.37	40101
Gilt & Fixed Int	5¼	15.76	16.25	17.32	11.45	40026

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Britannia Life Unit Managers Ltd (1200)F						
190 West George St, Glasgow G2 2PA 041-332 3132						
Balanced Growth	6	78.89	79.75	85.30	3.00	40427
Do (Accum)	6	84.49	85.42	91.38	3.00	40428
Service Cos	6	65.10	65.10	69.63	2.26	40433
Do (Accum)	6	69.14	69.14	73.94	2.26	40434
Income Growth	6	40.03	40.03	42.81	5.71	40431
Do (Accum)	6	57.64	57.64	61.65	5.71	40432
Higher Yield	6	32.02	32.02	34.24	5.19	40429
Do (Accum)	6	41.75	41.75	44.65	5.19	40430
American Gth Inc	6	41.22	41.22xd	44.09	0.63	40423
Do (Accum)	6	42.05	42.05	44.97	0.63	40424
European Growth	6	25.76	25.76	27.55	1.74	40425
Do (Accum)	6	26.48	26.48	28.32	1.74	40426
Global Bond Inc	6	23.50	23.56	25.20	4.34	41695
Do (Accum)	6	27.89	27.96	29.91	4.34	41696
Managed P'folio Inc	6	26.90	26.99	28.87	0.22	40147
(Do Accum)	6	26.90	26.99	28.87	0.22	40148
Brown Shipley & Co Ltd (1000)F						
9-17 Perrymount Rd Haywards Hth 0444 412362						
Mngd P'folio Inc	6	78.54	78.54xd	83.65	2.49	40186
Mngd P'folio Acc	6	145.8	145.8	155.3	–	40187
UK General	6	119.4	119.4	127.2	3.99	40188
Conv & General	6	16.70	16.70	17.79	10.70	40190
European Inc	6	21.12	21.12	22.75	0.50	40191
European Acc	6	21.70	21.70	23.37	–	40192
Financial	6	91.28	91.28xd	97.21	4.06	40194
Foundation	6	61.34	62.06	66.95	4.79	40514
General	6	37.20	37.20	39.86	0.10	40195
Growth Inc †(5-1)	5	23.90	23.92	25.47	3.64	41580
Growth Acc †(5-1)	5	27.20	27.22	28.99	–	40220
High Income	6	57.03	57.92	61.97	7.06	40196
Income	6	94.77	94.77	101.2	5.36	40197
Intl Income	6	76.39	76.39	81.36	5.95	40199
Intl Growth	6	29.75	29.75	31.68	0.25	40198
Monthly Income	6	53.40	55.46	59.07	6.70	40512
North American	6	88.04	88.46	94.40	0.25	40199
Orient	6	85.98	85.98	42.53	–	40200
Recovery	6	29.43	29.43	31.34	3.77	40201
Smaller Cos Acc	6	195.4	195.4	208.1	–	40202
Smaller Cos Inc	6	116.1	116.1	123.6	1.86	40203
Brycourt Unit Tst Mgmt Ltd (1400)F						
Hesketh Hse, Portman Sq, W1H 0JR 071-935 6382						
Income Growth	1	176.5	176.5	179.9	7.28	40204
Buckmaster Mangmt Co Ltd (1200)H						
15 St Botolph Street, London EC3A 7JJ 071-247 4542						
Fellowship Tst ♥	5¼	50.69	50.69	53.73	2.92	40206
(Accum Units) ♥	5¼	55.32	55.32	58.64	2.92	40207
Income	5¼	164.7	167.4	178.1	5.63	40210
(Accum Units)	5¼	356.4	362.2	385.4	5.63	40211

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
MGM Unit Managers Ltd (1000)F						
MGM House, Heene Rd, Worthing						
Dealing: 0277 261010 Enq: 0903 204631						
High Income	5	227.2	229.9	244.9	6.67	40887
(Accum Units)	5	368.5	372.9	396.6	6.67	40478
UK Growth	5	285.0	287.8	306.1	4.51	40888
(Accum Units)	5	344.1	347.5	369.6	4.51	40419
Int Equity Gth ♣	5	49.03	49.18	52.31	0.98	40889
Intl Bond	5	54.95	54.95	57.88	7.87	40890
Special Sits Gwth	5	15.14	15.69	16.69	4.33	40891
North American Gwth	5	72.90	73.10	77.76	0.73	40892
European Growth ♣	6	51.68	51.95	55.26	1.13	46104
MW Investment Managers Ltd (0659)F						
46 Court St, Haddington, E. Lothian 062 082 5867						
MW Joint Investors	0	1100.4	1100.4	1127.2	4.29	40535
Maiden Unit Trust Managers Ltd (1400)F						
c/o Baillie Gifford 1 Rutland Ct EH3 8EY 031 222 4242						
Maiden General	0	103.9	103.9xd	107.1	3.43	46659

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The minimum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Standard Life Tst Mgmt Ltd (0629)H						
3 George St, Edinburgh EH2 2XZ						0800 393777
Managed Acc	5¼	36.72	36.72	39 02	2.31	41398
UK Equity Gth Acc	5¼	50 41	51 29	54 50	1 80	41399
UK Eq High Inc Inc	5¼	28 92	29 57	31 42	6 15	41400
UK Eq High Inc Acc	5¼	32.51	33 24	35.32	6 15	46962
UK Equity Gen Acc	5¼	46 44	47 17	50 12	3.26	41401
UK Equity Gen Inc	5¼	36 34	36 91	39 22	3 26	41402
UK Larger Cos Acc F	7½	310 4	314 1	340 9	4 65	41403
UK Larger Cos Inc F.	7½	249 9	252.9	274.5	4 65	41404
Gilt & Fxd Int Inc	5¼	28 49	28.56	30 21	7.19	41405
O'seas Larg Cos Acc F	7½	213 0	216 6	235 1	2 03	41406
Nth American Acc	5¼	36 85	37 01	39 33	0 84	41407
Far East Acc	5¼	39.57	40 58	43 12	0 09	41408
European Acc	5¼	35 65	37 02	39 34	1.55	41409
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh						031-226 3271
American ♥	5	299 0	299 0	318 5	0 71	41410
(Accum Units) ♥	5	351 9	351 9	374 9	0 71	41411
British	5	800.2	817 2	864 5	6 00	41416
(Accum Units)	5	1314 7	1342 5	1420 4	6 00	41417
European	5	335 4	335 4	356 0	1 40	41418
(Accum Units)	5	363 6	363 6	385 9	1 40	41419
Japan	5	106 4	106 4	113 2	–	41420
(Accum Units)	5	107 3	107 3	114 1	–	41421
New Pacific	5	194 0	194 0	206 9	1 66	46365
(Accum Units)	5	199.2	199 2	212 5	1 66	47954
PEP Feb 20	5	150.3	151 7	160 5	3 53	47588
Mngd Equity	5	126 8	128 3	135 7	2.77	47586
Mngd Equity Acc	5	134 5	136 1	144 0	2 77	40556
Mngd Cash	0	96.55	96.55	96.55	10 12	47585
(Accum Units)	0	119 0	119 0	119 0	10 12	40267
Majority Sdg	1	100 55	100 55	101 56	9 88	47703
Majority Sdg Acc	1	109.50	109 50	110.59	9.88	46689
Storebrand Intl Inv Mngrs Ltd (1200)F						
Admin: 5 Rayleigh Rd, Hutton, Brentwood Essex						
Enquiries: 0277 227300						Dealing 0277 261010
International Feb 28		0151 36	51.36	57 75	13 17	46406
Sun Alliance Unit Tst Mngmt Ltd (1200)F						
St Mark's Court, Horsham						0403 232323

	Bid Price	Offer Price	Yield Gross	City-line
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ				071-588 1815
Property Jan 31	196 75	200 75	7 93	40825
Equity Jan 31	888 05	895 20	3 77	40826
* Available only to Local Authorities				
M & G Securities Ltd				
Charibond Feb 27	104 71		10.3	40883
(Accum Units)	634.16		10.3	40884
NAACIF Feb 25	40 50xd		9 54	46917
Morgan Grenfell Investment Funds Ltd				
Exempt Funds				
UK Equity † Feb 28	127 6	137 1	1 98	46925
UK Small Co † Feb 28	519 7	569 7	3 51	46926
Fixed Interest † Feb 28	111 8	117 6	8 52	46920
US Small Co Feb 28	183 8	196 6	0 00	46927
Managed Feb 28	108 0	116.6	3.40	46924
Int Bond Feb 28	122 0	128 7	9 96	47790
Japan Feb 28	67.45	71.92	4 09	47877
European Feb 28	92.80	99 47	1 71	47876
Nth American Feb 28	125 0	134 4	1 19	47878
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Expt Feb 26	55 01	57 21xd	1 99	41064
Euro Expt Feb 26	53.70	56 38xd	2 44	41065
Fixed Int Ex Feb 26	47 83	49 02	8 87	46594
Japan Expt Feb 26	40 64	42.26	0 70	41066
Managed Ex Feb 27	45 69	47 52	4 27	41067
SE Asia Expt Feb 26	76 07	79 87	2.56	41068
Sm Cos Expt Feb 26	36 25	38 07	3.28	41069
UK Equty Ex Feb 26	43 99	46 19xd	3 67	41070
Phillips & Drew Fund Management Ltd				
Small Co's Feb 5	685 40	729 40xd	4 35	41138
Do Accum	795 07	846.12	4.35	41139
Int Expt Feb 27	188.93	192.99	1.61	41140
UK Index Feb 5	1178 06	1192.81xd	4 32	46945
Do Accum	1300 87	1320 18	4.32	46946
Convertible Feb 24	94.61	97 64	8.33	46938
World ex UK Index Feb 25	788 14	797 72	1 95	47897

[illegible]

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J. D. Ward Financial Services Ltd

9 Bury Street, London, WC2 8AKF 071-836 4321

	Bid Price	Offer Price	Yield Gross	City-line
J D Ward Mngd Fund	201.5	217.4	-	44591
J D Ward Mngd Pen	125.6	135.4	-	44592
Albany Life Acc	197.0	207.3	-	41721
Albany Pen Acc	252.7	265.9	-	41722
M&G Trides Pen Acc	181.2	190.3	-	47104
PPG AH Gwth Pen Acc	187.9	197.7	-	44795

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Pembroke Hall, Pembroke, Bermuda
UK: Prof Advisers 0800 414181 Jersey: 0534 71696
Private Clients 0800 414161
From O'seas (44) 732 777377 Hong Kong (852) 848 1000

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
A$ Accum		A$-	15.265		6.10	45907
A$ Dist		A$-	15.265		6.10	45940
ASch Accum		Sch-	201.27		8.60	47644
ASch Dist		Sch-	201.27		8.60	47642
C$ Accum		C$-	15.237		6.00	45941
C$ Dist		C$-	15.237		6.00	45958
DM Accum		DM-	30.667		8.70	41228
DM Dist		DM-	30.667		8.70	41229
DFl Accum		Dfl-	25.563		8.70	40959
DFl Dist		Dfl-	25.563		8.70	40992
ECU Accum		Ecu-	10.247		9.50	41230
ECU Dist		Ecu-	10.247		9.50	41260
FFr Accum		FFr-	51.184		9.10	41262
FFr Dist		FFr-	51.184		9.10	41315
HK$ Accum		HK$-	100.81		3.20	41316
HK$ Dist		HK$-	100.81		3.20	41320
Lire Accum		L-	15.422		11.5	41386
Lire Dist		L-	15.422		11.5	[illegible]

Rothschild Asset Management – Contd.

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
OCCF Lire		[illegible]	25.919		11.03	45695
OCCF NZ$		[illegible]	25.517		5.90	46777
OCCF S$		[illegible]	30.197		2.13	45694
OCCF Ptas		[illegible]	2075.12		11.37	46779
OCCF SKr		[illegible]	103.85		11.33	46778
OCCF SwFr		[illegible]	30.662		6.51	45695
OCCF US$		[illegible]	15.177		2.81	45696
OCCF Yen		[illegible]	3556.99		4.43	45697
OCCF Man £	3	10.509	10.509	10.834	7.38	45698

Daily Dealings *Weekly dealing

Royal Bank of Canada Funds

RBC Offshore Fund Managers Ltd
PO Box 246, St Peter Port, Guernsey 0481 723021

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Intl Capital Fee [illegible]	5	[illegible]	5.221	5.592		45701
Far East & Pacific Fd	5	[illegible]	39.248	42.094		45703
North America Fd	5	[illegible]	17.049	18.259		45702
Canadian Fd	5	[illegible]	13.443	14.397		45704
Intl Bond Fd	5	[illegible]	13.306	14.060		45700
European Fund	5	[illegible]	11.563	12.384		45705
British Fund	5	£4.681	4.681	5.013		45706
Intl Currencies Fd Ltd						
US$		$-	37.58			45707
Canadian $		C$-	54.02			45708
£ Sterling		£-	24.83			45709
D-Mark		DM-	76.15			45710
Swiss Francs		SFr-	56.73			45711
Japanese Yen		Y-	9.004			45712
Managed Fund		$-	43.99			45713

Latest Fund Prices 24hr service 0481 718043

Sarasin Funds Mngmt (Guernsey) Ltd

PO Box 246, St Peter Port, Guernsey 0481 723021

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Eurostar £	5		£- 422.96	452.02		47526
Eurostar SFr	5		SFr- 1103.95	1179.76		47527
GlobalSar-Fergus £	5		£- 14.42	15.35		45531
Accum Units			£- 14.71	15.66		44995
GlobalSar-Fergus US$			$- 25.22	26.83		44059
Accum Units			$- 25.73	27.38		45009
GlobalSar-Fergus SFr			SFr- 37.65	40.05		43608
Accum Units	5		SFr- 38.41	40.86		45112

Schroder Investment Mngmt (Guernsey) Ltd

PO Box 255, St Peter Port, Guernsey 0481 710651

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
New European Bd $	3	10.57	10.57	10.92	9.05	44472
New European Bond £	3	6.07	6.07	6.27	-	47647

GUERNSEY (REGULATED)(**)

Adams & Nevile Fund Mngt (Guernsey) Ltd

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

OFFSHORE INSURANCES

MANAGEMENT SERVICES

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

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ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

MONEY MARKETS AND FOREIGN EXCHANGES

Attention on dollar

ATTENTION is expected to focus on the dollar on the foreign exchange markets this week, although opinion is divided over which way it may move.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

Some dealers feel that, provided the economic indicators are good, the dollar will continue to push upwards "Basically, the strategy is still to buy dollars," said Mr Michael Feeny, a senior dealer at Sumitomo Bank. Mr Feeny said the dollar could test the DM1.66 and Y130 barriers, although intervention at the Y130 level would impose an upper limit on the US currency of around Y129.70. 7

Dr Mark Austin, economist at HongKong Bank, was more cautious. "The dollar is not quite as strong as it has been, and there is a risk that we won't get such good economic news as we hope for. That could send the dollar a little lower."

The markets will be watching for the crucial US payroll figures on Friday, as well as the National Association of Purchasing Managers' report today and tomorrow's home sales figures.

Traders will also be looking for any sign of moves to bring the dollar down following the G7 finance ministers' meeting on Friday and Saturday, although indications at the end of last week were that Japan would not win support if it pressed for a weaker dollar.

In Europe, the movements of the peseta, and the effect that has on sterling, will be watched closely. Last week the peseta drifted down from its ERM ceiling following a 25 basis-point cut in the Bank of Spain's intervention rate on Tuesday. This allowed some leeway for sterling to fall against the D-mark, and rekindled faint hopes in some dealers that a pre-Budget cut in the UK base rate may not be out of the question.

Others, however, feel the easing of the peseta is unlikely to produce a UK rate cut, as the associated risks are still too great.

£ IN NEW YORK

Feb.28	Close	Previous Close
£ Spot	1.7567-1.7577	1.7635-1.7645
1 month	0.93-0.92pm	0.94-0.92pm
3 months	2.65-2.63pm	2.64-2.61pm
12 months	8.65-8.55pm	8.52-8.44pm

[illegible]

STERLING INDEX

[illegible]

CURRENCY MOVEMENTS

Feb 28	Bank of England Index	Morgan** Guaranty Changes %
Sterling	90.7	-20.7
U.S Dollar	64.0	-14.5
Canadian Dollar	[illegible]	-0.6
[illegible]	[illegible]	+12.2
[illegible]	[illegible]	-1.9
[illegible]	[illegible]	+2.9
[illegible]	[illegible]	+24.8
[illegible]	[illegible]	+14.3
[illegible]	[illegible]	+16.2
[illegible]	[illegible]	-12.9
[illegible]	[illegible]	-19.7
[illegible]	[illegible]	+76.9

[illegible] average [illegible] Index (Base [illegible]) [illegible] 27

OTHER CURRENCIES

[illegible]

CURRENCY RATES

[illegible]

CHICAGO

[illegible]

SWISS FRANC (IMM)

SFr 125,000 $ per SFr

	Close	High	Low	Prev.
Mar	0.6717	0.6752	0.6705	0.6743
Jun	0.6657	0.6694	0.6647	0.6685
Sep	0.6607	-	-	0.6637

STANDARD & POORS 500 INDEX

$500 times index

	Close	High	Low	Prev.
Mar	412.35	416.50	411.40	415.05
Jun	413.80	417.90	412.90	416.50
Sep	415.30	419.30	414.50	418.10
Dec	417.00	420.80	416.15	419.60

POUND SPOT - FORWARD AGAINST THE POUND

Feb 28	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7520 - 1.7675	1.7565 - 1.7575	0.94-0.92cpm	6.35	2.66-2.63pm	6.02
Canada	2.0760 - 2.0815	2.0770 - 2.0780	0.60-0.55cpm	3.32	1.58-1.52pm	2.98
Netherlands	3.2325 - 3.2460	3.2325 - 3.2425	[illegible]cpm	0.69	[illegible]pm	0.46
Belgium	59.05 - 59.35	59.05 - 59.15	[illegible]cpm	0.71	12-7pm	0.64
Denmark	11.1300 - 11.1875	11.1300 - 11.1400	[illegible]orepm	0.47	[illegible]pm	0.31
Ireland	1.0760 - 1.0810	1.0785 - 1.0785	0.02-0.01cpm	0.17	0.04-0.02pm	0.11
Germany	2.8715 - 2.8860	2.8750 - 2.8800	[illegible]pfpm	0.78	[illegible]pm	0.43
Portugal	246.40 - 248.05	247.05 - 248.05	75-95cdis	-4.12	203-241dis	-3.59
Spain	180.85 - 181.75	181.25 - 181.55	29-36cdis	-2.15	96-108dis	-2.25
Italy	2156.80 - 2166.55	2159.25 - 2160.25	2-4liredis	-1.67	8-10dis	-1.67
Norway	11.2575 - 11.3125	11.2575 - 11.2675	[illegible]-parorepm	0.20	[illegible]dis	-0.20
France	9.7685 - 9.8140	9.7775 - 9.7875	[illegible]cpm	0.31	[illegible]pm	0.13
Sweden	10.4150 - 10.4640	10.4150 - 10.4250	[illegible]oredis	-1.73	[illegible]dis	-1.92
Japan	226.40 - 228.45	226.50 - 227.50	[illegible]ypm	4.96	[illegible]pm	5.07
Austria	20.23 - 20.30	20.25 - 20.28	[illegible]gropm	0.78	[illegible]pm	0.51
Switzerland	2.6025 - 2.6225	2.6025 - 2.6125	[illegible]cpm	2.59	[illegible]pm	2.49
Ecu	1.4050 - 1.4095	1.4055 - 1.4065	0.07-0.02cpm	0.38	0.11-0.03pm	0.20

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.94-4.89cpm. 12 Month 8.65-8.55pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Feb 28	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7520 - 1.7675	1.7565 - 1.7575	0.94-0.92cpm	6.35	2.66-2.63pm	6.02
Ireland†	1.6210 - 1.6360	1.6335 - 1.6345	0.87-0.84cpm	6.28	2.47-2.40pm	5.96
Canada	1.1775 - 1.1825	1.1815 - 1.1825	0.28-0.31cdis	-2.99	0.87-0.92dis	-3.03
Netherlands	1.8345 - 1.8510	1.8420 - 1.8430	0.85-0.88cdis	-5.63	2.50-2.54dis	-5.47
Belgium	33.55 - 33.80	33.60 - 33.70	14.00-16.00cdis	-5.35	43.00-46.00dis	-5.29
Denmark	6.3175 - 6.3675	6.3350 - 6.3400	2.90-3.20oredis	-5.78	8.50-9.50dis	-5.68
Germany	1.6295 - 1.6450	1.6370 - 1.6380	0.76-0.77pfdis	-5.62	2.24-2.25dis	-5.48
Portugal	140.75 - 140.85	140.75 - 140.85	120-127cdis	-10.53	332-345dis	-9.62
Spain	102.40 - 103.40	103.25 - 103.35	71-74cdis	-8.42	210-218dis	-8.29
Italy	1223.50 - 1234.75	1229.00 - 1229.50	8.20-8.50liredis	-8.15	23.40-24.40dis	-7.78
Norway	6.3875 - 6.4465	6.4075 - 6.4125	3.15-3.45oredis	-6.18	9.50-10.50dis	-6.24
France	5.5380 - 5.5925	5.5650 - 5.5700	2.76-2.81cdis	-6.00	8.12-8.22dis	-5.87
Sweden	5.9090 - 5.9645	5.9275 - 5.9325	3.80-4.00oredis	-7.89	11.10-11.60dis	-7.66
Japan	128.75 - 129.55	129.15 - 129.25	0.14-0.15ydis	-1.35	0.27-0.29dis	-0.87
Austria	11.4875 - 11.5625	11.5140 - 11.5190	5.10-5.58grodis	-5.52	15.10-16.30dis	-5.45
Switzerland	1.4750 - 1.4910	1.4835 - 1.4845	0.44-0.47cdis	-3.68	1.31-1.34dis	-3.57
Ecu	1.2440 - 1.2550	1.2505 - 1.2515	0.62-0.60cpm	5.85	1.86-1.80pm	5.85

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EXCHANGE CROSS RATES

Feb.28	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.757	2.878	227.0	9.783	2.608	3.238	2160.	2.078	59.10	1.406
$	0.569	1	1.638	129.2	5.568	1.484	1.843	1229	1.183	33.64	0.800
DM	0.347	0.610	1	78.87	3.399	0.906	1.125	750.5	0.722	20.54	0.489
YEN	4.405	7.740	12.68	1000.	43.10	11.49	14.26	9515	9.154	260.4	6.194
F Fr.	1.022	1.796	2.942	232.0	10.	2.666	3.310	2208	2.124	60.41	1.437
S Fr.	0.383	0.674	1.104	87.04	3.751	1	1.242	828.2	0.797	22.66	0.539
N Fl.	0.309	0.543	0.889	70.11	3.021	0.805	1	667.1	0.642	18.25	0.434
Lira	0.463	0.813	1.332	105.1	4.529	1.207	1.499	1000.	0.962	27.36	0.651
C$	0.481	0.846	1.385	109.2	4.708	1.255	1.558	1039	1	28.44	0.677
B Fr.	1.692	2.973	4.870	384.1	16.55	4.413	5.479	3655	3.516	100.	2.379
Ecu	0.711	1.250	2.047	161.5	6.958	1.855	2.303	1536	1.478	42.03	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

EURO-CURRENCY INTEREST RATES

Feb 28	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	11 - 10¾	11 - 10¾	10⅝ - 10½	10[illegible] - 10[illegible]	10¼ - 10[illegible]	10½ - 10[illegible]
US Dollar	4⅛ - 4	4¼ - 4⅛	4¼ - 4⅛	4¼ - 4⅛	4⅜ - 4¼	4⅝ - 4½
Can. Dollar	7¼ - 7	7¼ - 7	7[illegible] - 6[illegible]	7[illegible] - 6[illegible]	7¼ - 7	7[illegible] - 7[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	10 - 9¾	10 - 9¾	10 - 9¾	10 - 9¾	[illegible]	[illegible]
Italian Lira	12 - 10	[illegible]	[illegible]	12 - 11[illegible]	12 - 11[illegible]	[illegible]
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 5⅛-5¼ per cent; three years 6⅛-6⅜ per cent; four years 6[illegible]-6[illegible] per cent; five years 7¼-7⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

FT LONDON INTERBANK FIXING

(11.00 a.m. Feb.28) 3 months US dollars: bid 4¼, offer 4⅜. 6 months US Dollars: bid 4⅜, offer 4½.

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK Treasury Bills and Bonds

[illegible]

Fed.funds at intervention: -. One year: 4.31. Two year: 5.26. 30-year: 7.80

Feb.28	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.55-9.65	9.50-9.60	9.50-9.60	9.50-9.60	9.50-9.60	9.75
Paris	[illegible]	[illegible]-10	[illegible]-10	[illegible]-10	[illegible]	9.60
Zurich	[illegible]	[illegible]	-	[illegible]	-	-
Amsterdam	9.43-9.56	9.50-9.58	-	9.47-9.55	-	-
Tokyo	[illegible]	[illegible]	-	[illegible]	-	-
Milan	12-12[illegible]	[illegible]	-	[illegible]	-	-
Brussels	9.43-9.56	[illegible]	-	[illegible]	-	-
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-

LONDON MONEY RATES

Feb 28	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	16	11	10⅝	10[illegible]	10¼	10[illegible]
Interbank Bid	10	10¾	10½	10¼	10⅛	10[illegible]
Sterling CDs	-	-	10½	10¼	10⅛	10[illegible]
Local Authority Deps.	11	10⅝	10½	10¼	10⅛	10
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	12	10¾	-	-	-	-
Company Deposits	-	-	10⅝	10[illegible]	10¼	10[illegible]
Finance House Deposits	-	-	10⅝	10⅜	10¼	10¼
Treasury Bills (Buy)	-	-	10[illegible]	9¾	9½	-
Bank Bills (Buy)	-	-	10¼	9¾	9[illegible]	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	4.20	4.18	4.27	4.65
SDR Linked Dep. Offer	-	-	6[illegible]	6[illegible]	6[illegible]	6⅝
SDR Linked Dep. Bid	-	-	6[illegible]	6[illegible]	6[illegible]	6½
ECU Linked Dep. Offer	-	-	10	10[illegible]	10[illegible]	10
ECU Linked Dep. Bid	-	-	9¾	9[illegible]	9[illegible]	9¾

Treasury Bills (sell); one-month 10[illegible] per cent; three months 9⅝ per cent; six months 9⅜ per cent; Bank Bills (sell): one-month 10⅛ per cent; three months 9[illegible] per cent; Treasury Bills; Average tender rate of discount 9.7383 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day February 28, 1992. Agreed rates for period Mar.25, 1992 to April 25, 1992, Scheme I: 11.67 p.c., Schemes II & III: 11.64 p.c. Reference rate for period Feb 1, 1992 to February 28, 1992, Scheme IV&V: 10.433 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from March 1, 1992: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5, 1991, Deposits withdrawn for cash 5 per cent.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY FEBRUARY 28 1992 US Dollar Index	% chg ($) since 31/12/91	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/91	Gross Div. Yield	THURSDAY FEBRUARY 27 1992 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1991/92 High	1991/92 Low	Year ago (approx)
Australia (69)	144.95	-3.9	122.31	118.38	123.40	127.98	-3.1	4.32	146.32	123.61	119.68	125.06	128.78	160.31	112.74	131.54
Austria (20)	182.31	+9.5	153.84	148.90	155.21	155.04	+18.2	1.86	180.68	152.64	147.80	154.43	154.53	222.37	153.86	214.59
Belgium (46)	141.34	-2.1	119.26	115.42	120.32	117.29	+5.4	5.03	140.39	118.60	114.82	119.99	116.85	151.20	118.04	149.14
Canada (115)	135.76	-0.4	114.56	110.87	115.67	116.20	+1.8	3.19	136.10	114.98	111.32	116.32	116.34	144.28	126.49	137.80
Denmark (36)	246.92	-7.6	208.36	201.66	210.21	212.83	-0.8	1.68	246.00	207.82	201.22	210.26	213.46	273.94	217.74	263.01
Finland (15)	85.97	+10.2	72.54	70.22	73.19	80.73	+19.2	2.23	85.82	72.50	70.20	73.35	80.64	125.15	73.32	113.58
France (108)	156.43	+4.0	132.00	127.74	133.16	136.61	+11.7	3.25	155.71	131.54	127.36	133.08	136.48	156.43	119.11	146.81
Germany (65)	120.82	+3.0	101.95	98.69	102.86	102.86	+11.2	2.25	120.15	101.50	98.29	102.69	102.69	125.35	94.15	117.67
Hong Kong (55)	204.43	+15.9	172.50	166.95	174.04	203.57	+15.6	3.77	203.05	171.53	166.08	173.55	202.29	204.43	119.62	144.52
Ireland (16)	163.38	-2.8	137.86	133.43	139.09	140.88	+4.1	3.63	162.71	137.45	133.09	139.07	141.35	182.46	132.88	170.07
Italy (77)	75.82	+0.6	63.98	61.92	64.54	69.60	+7.6	3.33	76.08	64.27	62.23	65.02	70.12	88.23	64.76	83.36
Japan (473)	118.38	-12.8	99.89	96.68	100.79	96.68	-9.9	0.88	118.05	99.73	96.56	100.91	96.56	146.97	116.27	140.33
Malaysia (68)	244.90	+14.3	206.65	200.00	208.49	244.01	+8.7	2.73	243.45	205.66	199.12	208.07	242.79	250.18	189.18	228.61
Mexico (18)	1742.44	+25.2	1470.30	1423.04	1483.40	5830.54	+26.1	0.95	1733.70	1464.60	1418.10	1481.82	5801.31	1742.44	534.45	608.72
Netherland (31)	151.93	-0.5	128.21	124.08	129.35	127.77	+7.3	4.31	151.15	127.69	123.64	129.20	127.63	156.48	125.70	141.62
New Zealand (14)	46.38	-1.3	39.14	37.88	39.49	45.03	-2.5	6.10	46.48	39.27	38.02	39.73	45.08	54.64	41.18	48.70
Norway (24)	164.93	-7.8	139.17	134.70	140.41	143.49	-0.9	1.71	163.21	137.87	133.50	139.50	142.99	223.24	157.08	211.81
Singapore (38)	212.61	-3.2	179.40	173.64	181.00	160.98	-1.8	2.13	212.97	179.91	174.20	182.03	160.86	228.43	151.63	196.05
South Africa (61)	216.16	-13.2	182.40	176.54	184.02	180.70	+4.5	2.77	215.97	182.45	176.65	184.59	179.85	271.99	173.00	199.94
Spain (52)	159.53	+2.0	134.61	130.29	135.81	124.84	+9.0	4.44	158.16	133.61	129.37	135.18	123.59	171.12	131.51	163.57
Sweden (25)	179.19	-1.1	151.20	146.35	152.55	157.30	+5.8	2.86	176.63	149.21	144.48	150.97	156.11	204.12	146.60	194.18
Switzerland (59)	100.72	+0.4	84.99	82.26	85.76	92.67	+9.9	2.16	99.80	84.31	81.64	85.31	92.13	104.22	82.17	95.82
United Kingdom (233)	179.64	-3.1	151.59	146.70	152.92	151.59	+3.2	4.91	179.40	151.55	146.73	153.32	151.55	187.44	156.27	182.15
USA (523)	168.54	-0.8	142.21	137.65	143.49	168.54	-0.8	2.90	169.02	142.78	138.26	144.47	169.02	171.66	125.95	150.09
Europe (809)	147.05	-0.4	124.09	120.10	125.20	125.39	+6.8	3.85	146.51	123.77	119.84	125.23	125.25	151.52	125.50	147.06
Nordic (100)	175.27	-4.6	147.90	143.15	149.22	147.15	+2.3	2.18	173.76	146.78	142.13	148.51	146.84	200.81	155.55	193.08
Pacific Basin (717)	121.99	-11.0	102.94	99.63	103.86	100.64	-8.4	1.23	121.70	102.81	99.55	104.02	100.52	145.92	117.86	139.81
Euro - Pacific (1526)	132.28	-6.6	111.62	108.03	112.61	111.18	-2.2	2.39	131.89	111.42	107.87	112.72	111.05	147.68	121.29	143.13
North America (638)	166.45	-0.8	140.46	135.96	141.73	164.98	-0.7	2.92	166.93	141.02	136.56	142.70	165.44	169.69	125.91	149.25
Europe Ex. UK (576)	127.06	+1.5	107.22	103.79	108.19	110.04	+9.4	3.10	126.38	106.77	103.40	108.05	109.84	129.80	103.58	125.73
Pacific Ex. Japan (244)	157.63	+5.1	133.01	128.75	134.21	141.03	+4.8	3.81	157.72	133.24	129.03	134.82	140.94	157.72	111.40	132.89
World Ex. US (1720)	134.35	-6.3	113.37	109.73	114.39	113.46	-1.7	2.41	133.98	113.18	109.60	114.52	113.32	148.16	122.32	143.78
World Ex. UK (2010)	141.58	-4.4	119.45	115.62	120.53	128.29	-1.9	2.33	141.50	119.53	115.74	120.95	128.35	150.58	120.08	141.16
World Ex. So. Af. (2182)	144.44	-4.1	121.88	117.98	122.98	130.04	-1.4	2.60	144.36	121.96	118.09	123.40	130.10	153.05	122.92	144.47
World Ex. Japan (1770)	160.21	-0.4	135.19	130.86	136.42	149.63	+2.4	3.27	160.26	135.39	131.10	137.00	149.56	161.90	126.69	148.56
The World Index (2243)	144.87	-4.2	122.25	118.32	123.34	130.49	-1.3	2.60	144.79	122.32	118.44	123.76	130.55	153.70	123.28	144.80

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

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Constituent change 28/2/92: Name change: United Telecommunications to Sprint Corp. (USA).

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

WEEKLY CHANGE IN WORLD INTEREST RATES

	Feb.28	change		Feb.28	change
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1 Mth. Bank Bills	10⅛	[illegible]	Three month	9.55	Unch'd
3 Mth. Bank Bills	9¾	[illegible]	**PARIS**		
TOKYO			Intervention Rate	9.60	Unch'd
One month Bills	5[illegible]	[illegible]	One mth. Interbank	9[illegible]	Unch'd
Three month Bills	5[illegible]	Unch'd	Three month	9[illegible]	Unch'd
BRUSSELS			**MILAN**		
One month	9½	[illegible]	One month	12[illegible]	[illegible]
Three month	9½	[illegible]	Three month	12[illegible]	[illegible]
AMSTERDAM			**DUBLIN**		
One month	9.54	Unch'd	One month	10[illegible]	[illegible]
Three month	9.51	-0.01	Three month	10[illegible]	[illegible]

FINANCIAL TIMES STOCK INDICES

	Feb 28	Feb 27	Feb 26	Feb 25	Feb 24	Feb 21	1991/92 High	1991/92 Low	Since Compilation High	Since Compilation Low
Government Secs.	88.35	88.55	88.49	88.31	88.19	88.21	88.55	82.17	127.4	49.18
Fixed Interest	101.38	101.49	101.45	101.33	101.17	101.21	101.56	90.59	105.4	50.53
Ordinary	1983.0	1986.7	2002.9	1989.8	1999.7	1982.9	2108.3	1606.3	2108.3	49.4
Gold Mines	130.2	127.2	128.7	129.8	128.6	130.8	222.8	127.0	734.7	43.5
FT Act All-Share	1229.84	1229.38	1228.94	1221.30	1226.45	1219.36	1284.07	987.46	1284.07	61.92
FT-SE 100	2562.1	2562.0	2565.0	2546.8	2559.7	2542.3	2679.6	2054.8	2679.6	986.9
FT-SE Eurotrack 100	1169.95	1167.26	1165.89	1156.42	1163.91	1154.51	1169.95	900.45	1169.95	900.45
FT-SE Eurotrack 200	1195.15	1193.41	1194.70	1185.41	1192.22	1182.66	1198.60	938.62	1198.60	938.62

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]

BRITISH FUNDS - Cont.

[illegible]

BRITISH FUNDS - Cont.

[illegible]

OTHER FIXED INTEREST

[illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bnk	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc	14	Roxburghe Bank Ltd	11.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs.	11	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk.	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

Wimbledon & South West Finance PLC
114 Newgate St, London EC1 7AE 071-606 9485
High Int Cheque Acc. 10.60 7.95 11.03 -

Clydesdale Bank PLC
30 St Vincent Place, Glasgow G1 2HL 041 248 7070

£2,000-£24,999	8.25	6.19	8.51	-
£25,000-£99,999	9.00	6.75	9.31	-
£100,000+	9.50	7.13	9.84	-

NOTES– Gross. Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. Compounded Annual Rate. Int Crd: Frequency at which interest is credited to the account.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	Wk% change	Div gross	Dividends paid	Last xd	City line
Abbott Labs		35⅞xd	0.9	$1.20	FeMyAuNv	18.1	1503
♥Allegheny & W		315p	-4.3	30c	–	–	–
Amdahl		1157pxd	6.5	10c	NvMrJeAu	31.1	–
Amer Cyanamid		34⅞	-1.1	$1.50	MrJeSeDe	27.2	–
Amer Express		11⅝xd	-6.3	$1.00	FeMyAuNv	30.12	1594
Amer T & T		20⅞xd	-3.5	$1.32	FeMyAuNv	27.3	1597
Ameritech		34¼	-2.8	$3.40	FeMyAuNv	28.3	–
BankAmerica		24⅞xd	6.7	$1.30	FeMySeDe	20.2	1744
Bankers NY		36⅞xd	–	$1.82	ApJyOcJa	27.12	1745
Bell Atlantic		24¾xd	-2.0	$2.52	FeMyAuNv	4.7	–
BellSouth		25⅜	-3.2	$2.76	FeMyAuNv	5.4	–
♥Bethlehem Steel		8⁷⁄₁₆xd	-1.5	–	MrJeSeDe	6.2	1821
Bowater		1581p	1.8	$1.20	OcJaApJy	6.6	1884
CPC		47⁷⁄₁₆xd	4.0	$2.20	JaApJyOc	27.12	2263
California Engy		730p	5.0	–	–	–	–
Campbell Soup h		20½	-5.4	70c	OcJaApJy	24.12	2050
Chase Manhattan		13⁵⁄₁₆xd	-2.6	$1.20	FeMyAuNv	24.1	2109
Chrysler		9⁵⁄₁₆xd	-9.3	60c	ApJyOcDe	11.12	2135
Citicorp		9⅞xd	1.3	–	–	23.10	2141
Colgate-Palm		27⅝xd	3.3	$1.86	FeMyAuNv	22.1	2184
Cont'l Bank		923p	2.3	60c	DeMrJeSe	31.5	–
Dana		20xd	-3.0	$1.60	MrJeSeDe	26.2	2308
Data General		982p	-1.9	–	–	–	–
Dial		26¹³⁄₁₆xd	-5.1	$1.40	JaApJyOc	28.2	2778
Dun & Brad		31½	-1.6	$2.16	MrJeSeDe	13.2	–
Eaton		41	0.6	$2.20	FeMyAuNv	2.2	2410
Echlin		9⅛xd	0.7	70c	JaApJyOc	30.12	3046
FPL		19⅛xd	-2.2	$2.48	MrJeSeDe	25.2	–
Fluor		24¾xd	-2.5	48c	JaApJyOc	18.12	2609
Ford Motor		20¼xd	-7.4	$1.60	MrJeSeDe	28.1	2615
Gen Elect		44½xd	-2.7	$2.20	JaApJyOc	4.12	2675
♥General Host		484p	-2.0	34c	–	13.12	–
Gillette		27½xd	0.7	82c	MrJeSeDe	28.1	2895
Hasbro		21	-1.2	20c	JaApJyOc	1.8	–
Honeywell		49¾xd	-3.0	$1.66	MrJeSeDe	26.2	2919
Houston Inds		23⅝	-5	$2.96	MrJeSeDe	19.11	–
IBM		49¹¹⁄₁₆xd	-3.0	$4.84	MrJeSeDe	5.5	2986

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HEALTH & HOUSEHOLD - Cont.

HOTELS & LEISURE

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MEDIA

MERCHANT BANKS

MERCHANT BANKS - Cont.

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service:

Additions: Genesis Chile Fund Warrants (Section Inv. Trusts)

Deletions: Farringford Warrants (Food Manufacturing), Sunlife Corp (Insurance Life), Aberforth Smaller Co's C (Inv. Trusts), New England Properties (Property) and Wilding Office Equipment (Stores).

4:00 pm prices February 28

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅞	12¾	AAR Corp	0.48	3.1	17	133	15¾	15½	15½	-¼
26	20⅝	A L Labs A	0.16	0.7	24	41	21⅞	21⅞	21⅞	+⅛
68¾	58⅛	AMP Inc	1.52	2.4	25	1186	63	61¾	62	-¾
79	68⅞	AMR				282013	76⅞	75⅛	76⅛	-⅛
2⅞	1⅛	ARX			2	60	2	1⅞	1⅞	
53½	46¼	ASA y	2.76	5.7	13	244	48⅛	47⅞	48	-⅛
68⅛	60½	Abbott Lab	0.60	0.9	30	3262	64¼	63¼	63⅞	+¼
13½	12⅛	Abitibi Pr	0.43	3.2	28	31	13¼	13⅛	13⅛	
11⅝	10½	ACM Gvt In	0.96	9.1		333	10⅝	d10½	10½	
10⅝	9⅛	ACM GvOpp	0.80	8.6		97	9¼	d9⅛	9¼	
9½	8⅝	ACM Gvt Sp	0.80	8.9		332	9	8⅞	9	
11¼	10⅛	ACM Gvt Sp x	0.96	9.2		679	10½	10⅜	10⅜	
9⅞	8⅝	ACM Man	0.95	10.4		213	9¼	9⅛	9⅛	
12⅞	10⅞	ACM Managd	1.08	9.6		108	11¼	11⅛	11¼	
10⅛	7	Acme Cleve	0.40	4.1	18	110	9¾	9½	9¾	+¼
5¼	4½	Acme Elect			3	74	u5¼	5	5¼	+¼
33¼	21⅛	Acuson			13	1374	21⅜	d21	21	-⅛
19⅞	18½	Adams Expr	0.46	2.5	0	45	19⅛	19	19	-⅛
15½	13	Adobe12Pf	2.40	16.6		11	14½	14½	14½	+⅛
5⅞	4½	Adobe Res			2	48	5⅛	5	5⅛	
48⅛	42¼	Ad Micro	3.00	6.8		72	44¼	43¾	43¾	+¼
21½	17⅞	Ad Micro P	3.00	16.3	12	3873	18½	18⅛	18⅜	+⅜
8½	5	Advest Grp	0.16	1.8	36	547	u9⅛	8½	8⅞	+⅜
[illegible]										

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16	14¼	Safeg'd Sc			7	54	15⅝	16	15	−⅛
28¾	25⅛	SafetyKln	0.34	1.3	27	2248	25⅝	d25	26½	+¼
20¼	16⅞	Safeway			41	1882	19⅝	18⅝	19½	+⅞
4⅞	3⅞	SafewayW95				406	4⅛	4	4⅛	+¼
37	29⅞	StJoePaper	0.20	0.5	49	258	u37½	36½	36⅞	+¼
34⅞	32⅞	StJoeL&P	1.72	5.2	13	5	33	32⅞	32⅞	−⅛
76¼	68½	St Paul's	2.72	3.8	7	658	76¼	72¼	72¼	−1⅞
7⅛	2⅞	Salant Crp			0	41	6⅛	6	6⅛	+⅛
75⅛	61½	Sallie Mae x	1.00	1.5	18	1780	67⅞	64½	65⅞	−1⅞
14¼	13⅝	Salomon Br	1.67	11.5		244	14⅛	14	14	
32½	28⅞	SalomonInc	0.64	2.0	7	5060	31⅞	30⅞	31¼	+1⅛
45⅞	42⅞	SanDgo G&E	2.88	6.4	12	288	45⅛	45	45⅛	
3⅞	2⅞	SantaFeEDu	0.40	12.8	26	25	3⅛	3⅛	3⅛	−⅛
9⅛	7	SantaFeERs	0.16	1.9	28	1108	8⅞	8⅛	8¼	
36⅝	32⅞	SantaFePac	2.75	8.6	18	91	33	d32½	32½	−½
14⅛	11⅛	SantaFeSth			21	1866	11⅝	11⅜	11⅜	−¼
57	49¼	Sara Lee x	1.00	1.9	18	2887	53⅝	52⅞	53⅞	+⅞
9½	1⅞	Savin				252	5	4⅝	4⅞	−⅛
3⅛	⅞	Savin 0.80	0.80	42.7		111	2	1⅞	1⅞	−⅛
44⅞	40⅛	Scana Corp.	2.68	6.6	12	2886	41¼	40½	40¾	−⅝
47⅞	40⅞	Scecorp	2.72	6.6	12	2107	41⅞	41	41⅛	−⅛
68	54⅞	ScheringPl	1.32	2.2	19	5824	59⅞	58	58½	+⅛
64¼	57¼	Sch'berger x	1.20	2.0	21	3084	60½	58⅝	59⅞	+⅛
36¾	29⅛	Schwab(C)	0.16	0.5	28	1451	34⅛	33⅛	33⅞	−½
8⅞	6⅞	Schwitzer			33	125	7⅞	7½	7⅛	+⅛
18¾	15⅞	SclentAtln x	0.16	0.9	82	576	18	17⅝	17⅝	−⅜
9½	7⅛	Scotman	0.10	1.1	13	61	9⅛	9⅛	9⅞	+⅛
44½	34½	ScotPaper x	0.80	2.0	28	868	41½	40⅞	40⅞	−½
16⅞	13⅝	ScuddrNAsF	0.18	1.2		301	15	14⅝	14⅞	+⅛
9⅛	8⅛	ScuddrNEuF	0.30	3.4		211	9	8⅞	8⅞	−⅛
24	20	Sea Cont	0.70	3.4	6	33	20⅞	20½	20¾	−⅛
16⅝	14⅞	SeaC1 4625 x	1.46	9.5		3	15¼	15¼	15⅜	+⅛
123½	113¼	Seagram Co x	2.00	1.7	15	622	117¼	116⅛	116½	
25¼	21⅝	Seagull En			49	24	22⅞	22	22⅞	+⅞
16¾	12⅛	SPX Corp x	0.40	2.6	142	99	15⅝	15⅜	15⅝	+⅛
56⅞	44⅞	Sealed Air			30	119	54⅛	53⅝	53⅞	−⅛
45⅛	37	Sears Roeb x	2.00	4.6	13	7001	43¾	43¼	43⅞	+⅛
38⅞	29¼	Sec Pac	1.52	4.2	65	5251	u37⅞	36⅝	36⅝	−¼
12½	12⅛	Seligm Sel	0.84	6.8		45	12⅞	12⅛	12⅞	
31¼	24⅞	Sensormat	0.30	1.1	27	648	27⅛	26⅞	26⅞	
51	42	Sequa A	0.60	1.3	42	39	46½	46⅛	46½	−⅛

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
27½	24⅞	Xtra 1.94	1.94	7.2		8	27	26¾	26¾	+⅛
34⅞	28½	Xtra Corp	0.80	2.4	14	80	33	32⅞	33	+⅞
27	25¼	Yankee Egy	1.60	5.9	13	127	u27	26¾	27	+⅛
1⅞	½	Zapata			31	746	1⅛	1⅛	1⅛	
11⅛	7¼	ZenithElec				52080	10⅞	9⅝	9¾	−⅞
16⅞	14½	Zenith Nat	1.00	6.2	79	815	16¼	d14½	16¼	+1¼
6¾	6	Zenix Inc x	0.84	12.9		91	6⅝	6½	6½	−⅛
13⅞	11⅛	Zero Corp	0.40	3.0	20	56	13¼	13⅛	13¼	+⅛
38	34⅛	Zurn Ind	0.88	2.4	16	75	37	36⅞	36⅝	−⅝
14⅛	12⅞	Zweig Fund	1.16	8.9		227	13	12⅞	13	
11	9⅞	Zweig Totl	0.96	9.4		355	10⅛	10⅛	10⅞	+⅛

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices February 28

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Olsten	0.24	29	49	27⅞	27⅞	27⅞	
OMI Corp	0.14	7	327	6¾	6⅝	6¾	
Pall Corp	0.36	32	453	30⅞	29½	29⅞	−¼
Pegasus G	0.10	36	367	13½	13⅜	13⅞	−⅛
Perini		44	83	12½	d11¾	12	−½
Pet Hlt&P	0.31	7	15	10⅞	10	10⅞	+⅞
Phil LD	0.25	15	385	36½	36	36	−¼
Pittway A	1.10	13	44	u30⅞	29⅞	30¼	+⅞
Ply Gem	0.12	28	115	11	10⅞	11	+½

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Fluke (J)	0.48	45	293	27	26⅞	27	+⅛
Forest La		35	933	36⅞	35⅞	36	
Frequency		7	106	4⅞	4⅝	4⅝	−⅛
Fr oil.com		21	490	33⅞	33½	33⅝	−⅛
FstAust	1.06		133	u9⅞	9⅛	9⅞	+⅛
Giant FdA	0.66	12	456	25½	25	25⅞	−⅛
Glatfltr	1.20	17	14	56⅞	56⅜	56⅞	+⅛
Goldfield		7	5	u⅞	⅞	⅞	
Greenman		32	38	5⅞	5¼	5¼	+¼
GRI Corp		1	94	⅞	⅞	⅞	
Gulf Cda x	0.35	6	178	4⅞	d4⅝	4⅞	−⅛

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Mobil Ea	0.40	14	151	15	14¾	14¾	−¼
Moog A		6	268	5⅞	5½	5⅞	+⅛
MSR Expl		2	165	⅞	½	⅞	+⅛
Nabors		14	1346	6⅞	6¾	6⅞	+⅛
Nat Ptnt		1	714	4⅞	4⅞	4⅞	+¼
New Line		20	30	15⅞	15¾	15¾	−¼
NY Times A	0.56	42	849	28¼	27⅝	28⅞	+⅞
NthCanOil	0.18	40	5	8¾	8¾	8⅞	+⅛
Numac O&G		99	2	4⅞	d4¾	5	
NV Ryan		0	373	1⅞	1½	1⅞	
Odetics A		45	4	6½	6⅞	6⅞	

Stock	Div.	P/E	Sls 100s	High
UnivPtnts		28	334	[illegible]
US Cellul		37	327	[illegible]
Vivigen		27	29	[illegible]
WangLab C		2	23	[illegible]
WangLab B		2	6728	[illegible]
Weatherfd		30	1137	[illegible]
Westamer	0.48	8	45	[illegible]
WIRET x	1.20	14	136	[illegible]
Worthen		10	135	[illegible]
Xytronix		20	98	[illegible]

POLAND

The FT proposes to publish this survey on
28th April 1992 .
This survey will be included in the FT of that day and will be printed in London, Frankfurt, Roubaix, New Jersey and Tokyo. It will be distributed in 160 countries world-wide.
For further information about advertising in the survey, please contact

Patricia Surridge in London Tel.(071) 873 3426 fax 071 873 3079. or
Nina Kowalewska in Warsaw
Tel.(22) 48 97 87
Fax (22) 48 97 87

FT SURVEYS

NASDAQ NATIONAL MARKET

4:00 pm prices February 28

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Warner En	0.16	18	529	31	28¾	31	+1⅝
Warmtech		92	425	3⅞	3⅝	3⅞	
WashMutSB	0.20	6	2926	21⅛	20	20⅞	+⅞
WshEnergy	1.40	14	778	20⅛	d20	20	−⅛
WashFedSL	0.80	17	722	38½	37⅞	38⅛	−⅛
WatsonIA x	0.28	19	50	49¾	49¼	49⅞	
Wausau PM	0.34	21	283	52¼	49¾	50	+¼
WD-40	1.72	17	168	u40	38½	39	+½
Wellrek		22	60	5⅞	5⅛	5⅞	+⅛
West One	1.04	12	122	37⅛	36	36	−½
WstnPubl		57	554	18½	18	18½	+¼
Westmark		28	758	60¼	58	58¾	−¼
WestmCoal	0.32	9	25	17	16	16	
Wst SealA		37	107	u14	13¼	13¼	
Wetterau	0.68	10	204	23	22½	23	+¼
Wicat Sys		69	397	3⅛	2⅞	3	
Willamete x	1.68	41	1117	75¼	74¾	74¾	−¼
WmsSonoma		29	77	u18¼	17½	17½	−¼
Wiser Oil x	0.40	54	239	15¼	14⅞	15⅛	
Wolohan L x	0.28	15	18	20⅛	20¼	20⅛	−⅛
Wolv Expl		0	189	⅞	⅞	⅞	
WrvExW93A			50	⅞	d⅞	⅞	
Wthington	0.48	29	2875	23½	23⅛	23⅞	−⅛
WPP Group	1.11	2	8631	u4⅛	3⅞	3⅞	
Wyman-Gdn	0.40	5	2571	6	4⅞	5½	+⅝

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		30	1718	29¼	28⅞	28¼	−½
Xoma Corp		14	5912	24½	24	24½	+½
Yellow Fr	0.94	33	421	31¾	31	31⅞	
York Rsch		48	1085	6¼	5⅞	5⅞	−¼
ZionsUtah	1.44	10	132	u49¼	48¼	49	+⅞

BRUSSELS

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FT SURVEYS

MONDAY INTERVIEW

Striving to reach Sanctuary

Jack Straw, the Labour party's education spokesman, talks to **Andrew Adonis**


Lydia van der Meer

'Accountable to parents, governors and the public'

Were Mr Jack Straw to take a month off to write his autobiography, it might appear under the title: Shadow Boxing: from president of the National Union of Students to chief opposition spokesman on education and science.

Not an obvious best-seller, but it graphically highlights the personal stakes involved in the coming election. Mr Straw, 45, an MP for 13 years and in politics all his adult life save for a brief spell at the bar, has yet to sit on the government benches, let alone hold office. He is not alone. Most of the shadow cabinet have never exercised power, and Mr Straw, Mr Blair and Mr Gould – not to mention Mr Kinnock – have little stomach for another five years slogging away in opposition.

The son of a Nonconformist conscientious objector, Mr Straw is still remembered by some as a student union firebrand.

The acid tongue has not deserted him. Even colleagues were taken aback at his television denunciation of Mrs Margaret Thatcher as "evil" on the eve of her resignation. Recent accusations that Kenneth Clarke, the education secretary, was telling "lies of Goebbels proportions" about Labour education plans were par for the course.

Yet for the most part, Mr Straw is a dedicated student of Moderation and Respectability. He talks of "the break-up of the traditional categories [among Labour MPs], reflected by the collapse of the Campaign Group", the fact that "the Tribune Group is now the establishment of the party", and places himself in the party's "solid centre". Social solidity has come too. With his wife Alice – a senior civil servant – and family, he decamps as often as possible to a cottage in Minster Lovell, on the edge of Oxfordshire's Cotswolds, and is a stalwart of the parish church. The motto of his old school, Brentwood, says it all: "Virtue, Learning and Manners".

The Church Times was relieved to hear recently that church schools, at least, are safe in Labour's post-election hands. "They help to provide the moral and ethical framework without which education is sterile," Mr Straw told it.

But much more than religious education will stay in place if Mr Straw takes charge of Sanctuary Buildings, the education department's palatial new offices in Great Smith Street. Of the 25,000 state schools in England and Wales, only the 15 city technology colleges, 138 grant-maintained schools and 159 grammar schools need fear for their futures. The national curriculum, pupil testing, league tables, teachers' pay review body and local management of schools are all here to stay. Polytechnics will not be returned to local government, and they will still be able to call themselves universities. As for private schools, their 30,000 state-funded assisted places will go, but otherwise they will be left in peace – with even their charitable status intact, provided they show "community involvement".

Mr Straw eschews dogma, dubbing his attitude to teaching methods "fairly catholic". "I am fairly and squarely with the teaching method that works," he says. "Part of the Tories' problem is they think all the time about what happened in their own prep schools." He insists that "you won't get improvement if you simply treat teachers as technicians. We need to turn teaching into an accountable profession". Accountable to whom? "To parents, to the governing body, to the public."

As for his determination to ban all forms of selection in the state sector, he says: "The comprehensive ideal is that you should comprehensively cater for children of every ability range." And that means "ensuring that state schools do cater comprehensively for very bright children". So not only will fast-streaming and master classes be encouraged, but part of the money saved from assisted places will go on "centres for gifted children".

Setting and meeting national standards is Mr Straw's continual refrain: "Ministers should be setting the standard and making sure it is achieved." An Educational Standards Commission, to run a national inspectorate and set national targets, is a central plank of his programme. He contrasts it with Mr Clarke's bill – assailed from all sides – to allow schools to pick and pay their own private inspectors.

How will Labour tackle Britain's poor staying-on rates among 16-year olds? "We are going to set national targets, and translate these targets locally and for each school and college within the locality. Through these imperatives of targets and funding you change the culture."

It all sounds rather centralist. Local councils, he says, are important "for planning the system locally and managing it in a hands-off way". But he wants "a single standard of inspection for all local authorities", and a single national service to embrace all inspectors.

A new "Advanced Certificate in Education and Training" (ACET) also features prominently in Labour's manifesto. Its aim is to span the divide between post-16 academic and vocational studies, by offering modular courses on both sides. "The hard part is to allow students to mix and match," says Mr Straw, but he insists "there will still be a recognisable five-subject A-level within it [the ACET]". The current plan is to modularise A-levels by year, while moving to a broader five-subject curriculum on the lines of the Higginson report. So three A-levels will become 10 modules, each of them requiring a written exam.

PERSONAL FILE

- **1946** Born Buckhurst Hill, Essex. Educated Brentwood School, Essex, and Leeds University.
- **1969-71** President, National Union of Students.
- **1973-74** Deputy Leader, Inner London Education Authority.
- **1974-77** Special Adviser to Labour government social services and environment secretaries.
- **1979** Labour MP, Blackburn.
- **1987** Elected to Shadow Cabinet; Opposition Education Spokesman.

But Mr Straw is not concerned only with exams. "The academic/vocational divide is perpetuated right through government at the moment," he says, and he wants a single curriculum council to span the chasm between the education and employment departments. The current state of vocational qualifications – "the obsession with competences" – concerns him. "You are ending up with people who are too narrowly trained," he says. He wants vocational qualifications broadened and given more rigour.

How much will Labour spend on improving school standards? Mr Straw is coy. Apart from shifting money from the city technology college programme to nursery schools, the only immediate spending commitments are to put an end to primary classes of more than 40 and to abolish outside toilets – neither of them widespread. Beyond that, all spending is "as resources allow, in the famous phrase".

It is the same for higher education. Loans are to go, and the student grant made up to its 1990 level in real terms. "But there is not any way out of the parental contribution towards student maintenance", and though he recognises that much of the higher education infrastructure – particularly the polytechnics – is dilapidated, improvements will only come – as resources allow.

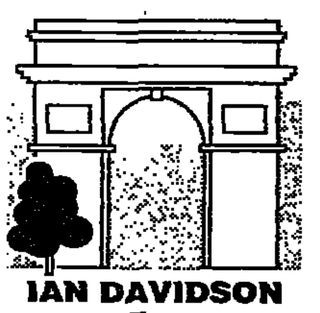
However, Mr Straw is happy with the emerging three-tier structure of teaching, research and mixed universities, and will not change it. "I was against the rigid classification of institutions," he says, but "the inevitable consequence" of ending the division between polytechnics and universities will be "much greater differentiation in higher education", and the massive projected increase in student numbers is "bound to come" largely in the non-research universities.

Mr Straw bridles at any idea that Labour is simply endorsing government policies. But he is not slow to daub the Tories with Labour policies that may prove unpopular. In a policy statement announcing Labour's plans to abolish the remaining grammar schools last week, he was at pains to point out not merely that the Tories themselves had closed 106 grammar schools since 1979 "without a peep from John Major or Kenneth Clarke", but that Mrs Thatcher had shut 363 in her three years as Ted Heath's education secretary in the early 1970s – while Shirley Williams, her Labour successor, had managed to disband a paltry 205 in a similar period.

It is the same with the independent schools. Mr Straw believes his policies will raise standards in the state sector so high that only "snobs and eccentrics" will thereafter want to go private. Yet he often cites the views of the Headmasters' Conference and the Girls' School Association in support of Labour's policies on curriculum reform.

If the election comes up trumps, how long does Mr Straw see himself in Education? "Quite a long time. I feel reasonably well trained for it, and I would like to be around to take the consequences of what I do." Now that *would* be a significant change from the current régime.

Delors clad in shining armour


IAN DAVIDSON
on Europe

Unless a miracle turns up, the Socialist administration of French President François Mitterrand seems doomed to go down the tube in 1993. Next month's regional elections are virtually certain to pass a damning verdict of rejection; and the sentence of dismissal will be carried out a year later in the general elections of 1993.

Curiously, quite a few people seem to think there could be a miracle waiting just over the horizon, in the shape of Mr Jacques Delors, president of the European Commission. Last summer he began to emerge in the opinion polls as everybody's favourite politician; his popularity has now reached the level of apotheosis, and some commentators apparently believe that he will be cast in a starring role in a last-minute rescue drama.

The common prediction is that he will be appointed prime minister, replacing Mrs Edith Cresson, shortly after next month's regional elections. His international stature and his identification with solid social-democrat values should enable him to reverse the calamitous decline in the government's popularity. Even if he cannot avoid ultimate defeat in 1993, he might limit the damage.

In scene two, Mr Delors goes on to succeed President Mitterrand. After his spectacular re-entry to the French political scene, he would be well placed to win the presidential elections in 1995. He would then call new general elections, which would bring the Socialists back to power. QED, or (as the French say) CQFD.

A variant of this scenario has a go-faster script. In November, President Mitterrand holds a referendum to shorten the presidential term from seven to five years. He announces that he will apply this constitutional reform to himself. This precipitates an early presidential poll, before the scheduled parliamentary elections; Mr Delors is triumphantly elected president, and the Socialists sweep back into power on his coat-tails.

All this smacks of wishful thinking. After 11 years in power, it would be hard for the Socialist party to make a winning come-back. It has largely run out of political credit, and too many of its politicians are stained by the charges of corruption that used to stick to the conservatives. Mr Delors is popular partly because he has been out of French politics since 1985; but it is not clear how he could resuscitate the party's reputation.

Opinion polls say Mr Delors would be the strongest Socialist candidate in a presidential election, able to beat any plausible candidate from the conservative opposition. The trouble is that Mr Michel Rocard got there first: he is already the party's "virtual" presidential candidate, and even if the back-stairs agreement endorsing his candidacy is not formally binding, he will almost certainly run. If Mr Delors decided to stand against him, he would split the Socialist party, with possibly damaging effects on the outcome.

Mr Delors says he is far too busy to think about French politics: he intends to stay in Brussels until his contract runs out at the end of the year, and he might stay longer if asked. Yet it is widely believed that, if President Mitterrand were to send for him, he would obey the call of duty.

A prudent man would stay where he is for as long as possible. His most sensible strategy would be a waiting game, until the situation becomes clearer: the only summons that would serve his interests would be a call from the Socialist party, since that would mean that Mr Rocard was prepared to stand down. As it happens, he might well have the option of staying at the Commission for a two-year extension, which would take him conveniently up to the eve of the 1995 presidential elections.

These speculative games are fun to play, and all French commentators love playing them. But the fascinating complexity of the possibilities of political manipulation should not be allowed to obscure aspects of deeper significance.

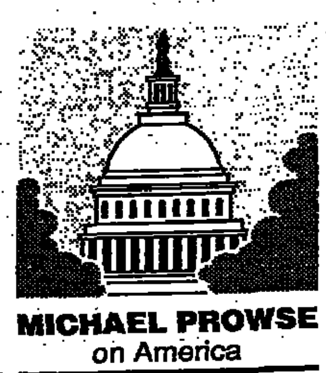
First, the unstated assumption behind these games is the extent of the powers monopolised by the president: he and he alone pulls all the strings, and he chooses when to pull them. These powers are not spelled out in the constitution; but custom and precedent give the president great latitude. President Mitterrand has taken full advantage of his opportunities; and the consequence is that, when things go wrong, it is the president who is held responsible.

Second, there must be a lesson to be drawn from the fact that the French people's preferred white knight is Mr Jacques Delors. Clean, intelligent, competent, successful – he is all these things; but it is not enough to explain his standing in the polls. Only one thing sets him apart from most other contenders: he is a man with strong convictions.

This cannot be said of the Socialist party, which abandoned a crude form of socialism nearly 10 years ago, and has since relapsed into stodgy respectability. The moderate conservative parties are just as dull. The only strong convictions today come from the protest parties, and it is working wonders for their voter appeal: between them, the ecologists and the extreme right-wing National Front should get more than 27 per cent in next month's regional elections.

Presumably, French voters want Mr Delors because a man who has answers for Europe must surely have answers for France as well. Unfortunately, the logic is faulty. The nation state continues to be the main locus of political action; but the Community exists because the nation state no longer provides as many good answers as it used to. The biggest worry for the French is unemployment; but if the answer is faster growth, it cannot be delivered from Paris. Mr Delors knows all this better than anyone; but he probably still suffers from the national illusion – after all, he is French.

The drawbacks of shock therapy


MICHAEL PROWSE
on America

In the dark ages of psychiatry, doctors believed that electric shocks could cure depression. The bigger the convulsion the better: the patient would recover that much quicker.

The professionals keenest on electrodes today are economists. In Russia and eastern Europe, western advisers are experimenting with an economic form of shock therapy. This consists of austere fiscal and monetary policies to curb demand coupled with the most rapid possible freeing of prices and markets to raise efficiency. The fashionable view is that capitalism can best be reached in a single "Big Bang". In Washington last week, the merits of shock therapy were expounded with messianic zeal by Mr Anders Aslund, a Swedish member of Professor Jeffrey Sachs's stable of advisers to Russia.

Economic shock therapy has certainly produced impressive convulsions. In eastern Europe, it has led to falls in production of a third or more, huge increases in unemployment and severe distress for the weakest groups in society such as pensioners. Wealth and income inequalities have soared. Shock therapists like Mr Aslund are unfazed. The big falls in output – which they did not anticipate – are dismissed as "inevitable". Indeed, in true Panglossian style every negative indicator is construed as a sign of progress: the collapse of state enterprises, for example, simply increases the scope for private business to flourish.

The goals of shock therapy are not in question: we all want to see strong, market economies emerge in eastern Europe and the former Soviet republics. But some experienced economists are beginning to wonder whether different tactics would be more effective. The most obvious danger is that economic dislocation will undermine progress by provoking a political backlash. This has already happened in Poland, which has backed away from the IMF's adjustment programme. Czechoslovakia is restive. The future of young radical reformers in Moscow is in doubt.

Professor Milan Matejka, of the Prague School of Economics, is bitterly critical of Mr Vaclav Klaus, the Czechoslovak finance minister and a home-grown shock therapist. He says Mr Klaus deepened the slump with unnecessarily tight macro policies (Czechoslovakia, unlike Poland, never faced a hyperinflation). And he complains that western journalists convey far too flattering a picture of progress in eastern Europe because they rely too heavily on *parti pris* sources – government officials and their western advisers.

Mr Edward Bernstein, a participant at the 1944 Bretton Woods conference and the IMF's first research director, says the shock therapists have done a "miserable job" in eastern Europe because they have forgotten "the lessons of the post-war reconstruction of western Europe". The most important was that liberalisation had to occur in measured steps. Full exchange rate convertibility, for example, was not achieved until the late 1950s. This reflected the need to rebuild industrial capacity before opening the floodgates to consumer imports. Just imagine how Britain would have faired if it had swept away all rationing and controls in the late 1940s in an attempt, immediately, to achieve US-style economic freedoms.

Mr Eugenio Lari, until recently head of World Bank operations in eastern Europe, agrees that "the pace of certain reforms was over-ambitious". He says reformers have tended to be "overly purist" in advocating "total free-market liberal capitalism". Coming from Italy, he understands that subsidies, budget deficits and a big state sector – while regrettable – do not rule out rapid growth. Long development experience makes him uneasy with the glibness of the youthful reformers: "we should confess to doubts and ignorance ... nobody understands these transitions," he says.

Shock therapists reject comparisons with the rebuilding of western Europe, on the grounds that former communist countries lack the basic framework of a market economy. The point of rapid trade liberalisation is to import a price and incentive structure. But this argument cuts both ways. The fact that centrally planned economies lack the institutions, skills and legal framework of capitalism surely enhances the case for step-by-step reforms. So does the experience of Hungary, which has opted for gradual economic reform, eschewing shock therapy even after communism collapsed. It continues to nurture the state sector, privatises judiciously and maintains currency controls. The result: less of a drop in living standards than elsewhere and stronger foreign investment.

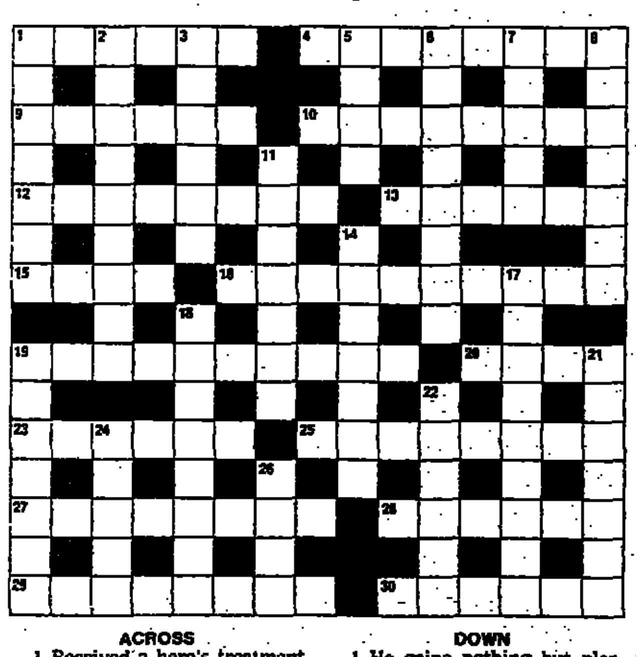
Eastern Europe and the former Soviet republics can surely also learn a lesson from economic development in east Asia. South Korea and the others were desperately poor and also lacked the infrastructure of an advanced market economy. Did they opt for shock therapy? Of course not. Policy was dedicated to gradually building up real-world business skills and the strength of particular manufacturing sectors, partly by providing explicit incentives for export. Imports, domestic consumption and finance were closely controlled for decades.

There is a world of difference between this kind of planned development, making careful use of markets, and a rush towards the idealised world of free market textbooks. The formerly communist economies have to plough their own furrow, but they should realise that shock therapy is far from a proven remedy. A little humility on the part of the therapists would be welcome.

JOTTER PAD

CROSSWORD

No.7,787 Set by DANTE



ACROSS

1 Received a hero's treatment when landed (6)
4 Announce that one is no longer 1 down? (8)
9 Garden-flower periodical (6)
10 He works so that others may play (8)
12 Mummy's nationality (8)
13 A fair game (4,2)
15 Rebel king I turn to (4)
16 But it doesn't stretch to music (6,4)
19 Made bed in earth and wintered there (10)
20 Money for one on the staff (4)
23 Kitchener's formula for success? (6)
25 Means a women has reversed and changed gears (8)
27 It could be indeed so unfair (3,5)
28 Do this in arithmetic to rule (6)
29 One girl I converted to the faith (8)
30 Like a seabird following a ship (6)

DOWN

1 He gains nothing but pleasure from his activities (7)
2 Is it used to keep a beehive hairdo in place? (9)
3 The Astor's new cook's (6)
5 Area said to be uncultivated (4)
6 Storage place for a trophy on the table (8)
7 Maybe Poe's a past expert at telling fabulous tales (5)
8 She comes to a fishy end (7)
11 Living in the wild, not a flat (7)
14 Keep giving notice (7)
17 One is glad to be so close (9)
18 Youth with no head for multiplication (8)
19 Port bar is rebuilt in time (7)
21 Point to a back from Orient (7)
22 Goes around foreign bistro (6)
24 Basket a Red Indian left (5)
26 Hour of the balloon's ascent (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday March 14.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 02.03.92 / Final Prices for Trading on 03.02.92

1/2 hour period ending	Pool purchase price £/MWh (Provisional)	Pool purchase price £/MWh (Final)	Pool selling price £/MWh (Final)
0030	17.04	17.16	17.16
0100	17.45	17.81	19.27
0130	17.45	18.81	20.28
0200	17.45	21.78	23.55
0230	17.42	17.81	19.26
0300	17.42	17.81	19.26
0330	17.42	17.81	19.26
0400	17.04	17.15	18.78
0430	17.02	17.13	18.78
0500	17.02	17.13	18.78
0530	17.02	17.13	17.13
0600	17.03	17.14	17.14
0630	17.04	17.17	17.17
0700	17.07	17.46	17.46
0730	19.10	18.99	20.68
0800	19.10	19.47	21.19
0830	18.80	20.23	21.98
0900	19.75	21.41	23.23
0930	18.83	23.34	25.27
1000	23.47	23.48	25.42
1030	19.77	23.47	25.41
1100	19.78	23.42	25.38
1130	19.76	23.40	25.33
1200	19.81	23.37	25.29
1230	19.75	23.26	25.15
1300	19.74	23.14	24.98
1330	18.80	21.06	22.80
1400	18.80	20.44	22.17
1430	19.10	19.91	21.62
1500	19.10	19.47	21.17
1530	17.07	17.62	17.62
1600	17.07	19.12	20.84
1630	17.07	23.07	25.51
1700	19.10	45.11	52.62
1730	19.12	67.43	65.33
1800	20.92	58.12	68.69
1830	23.57	40.35	45.58
1900	23.57	26.70	29.34
1930	20.87	23.88	25.85
2000	20.52	21.71	23.47
2030	19.10	19.47	21.16
2100	19.10	19.03	20.70
2130	19.10	18.45	20.11
2200	17.07	17.55	17.55
2230	17.04	17.17	17.17
2300	17.03	17.13	17.13
2330	17.02	17.72	17.12
2400	17.02	17.08	17.08

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 01.03.92 / Final Prices for Trading on 02.02.92

1/2 hour period ending	Pool purchase price £/MWh (Provisional)	Pool purchase price £/MWh (Final)	Pool selling price £/MWh (Final)
0030	17.05	17.16	17.16
0100	17.40	18.82	20.45
0130	17.40	18.82	20.45
0200	17.40	21.78	23.48
0230	17.40	17.19	18.78
0300	17.40	17.15	18.73
0330	17.40	17.15	18.73
0400	17.01	17.13	18.71
0430	17.01	17.12	17.12
0500	17.00	17.09	17.09
0530	17.01	17.04	17.04
0600	17.01	17.04	17.04
0630	17.01	17.04	17.04
0700	17.01	17.04	17.04
0730	17.01	17.04	17.04
0800	17.00	17.03	17.03
0830	17.01	17.03	17.03
0900	17.01	17.04	17.04
0930	17.01	17.10	17.10
1000	17.12	17.14	17.14
1030	17.24	17.16	18.75
1100	17.12	17.61	19.22
1130	17.24	17.61	19.22
1200	17.24	19.70	21.39
1230	17.24	19.70	21.38
1300	17.24	19.90	21.67
1330	17.24	17.61	19.21
1400	17.24	17.16	18.74
1430	17.42	17.12	17.12
1500	17.42	17.12	17.12
1530	17.42	17.10	17.10
1600	17.02	17.10	17.10
1630	17.02	17.12	17.12
1700	17.02	17.18	17.18
1730	17.02	20.05	21.72
1800	17.46	20.38	22.06
1830	18.85	26.95	28.84
1900	19.60	26.95	28.84
1930	19.60	26.95	28.80
2000	17.45	20.38	22.04
2030	17.42	18.81	20.23
2100	17.42	17.61	19.21
2130	17.42	17.16	18.74
2200	17.24	17.16	18.74
2230	17.12	17.14	18.72
2300	17.02	17.12	17.12
2330	17.01	17.12	17.12
2400	17.01	17.08	17.08

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